SECOND *QUARTERLY REPORT*
NOVEMBER 2010

BRITISH COLUMBIA

The Best Place on Earth

Second Quarterly Report

Economic Outlook,
2010/11 Financial Update
&
Six Month Results
April – September 2010

Ministry of
Finance

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SUMMARY

2010/11 Second *Quarterly Report*

November 25, 2010

***Budget 2010* and *Quarterly Report* Updates**

($ millions)	*Budget 2010*	First *Quarterly Report*	Second *Quarterly Report*
Revenue	39,190	39,965	39,712
Expense	(40,605)	(41,045)	(41,107)
Deficit before forecast allowance	**(1,415)**	**(1,080)**	**(1,395)**
Forecast allowance	(300)	(300)	(300)
Deficit	**(1,715)**	**(1,380)**	**(1,695)**
Capital spending:			
Taxpayer-supported capital spending	5,414	5,603	5,305
Provincial Debt:			
Taxpayer-supported debt	33,748	33,669	33,765
Taxpayer-supported debt-to-GDP ratio	17.2%	17.0%	16.8%

Fiscal outlook still on target

- The province remains on track to meet its budgeted deficit target of $1.7 billion despite the impact of slowing economic growth on revenues.

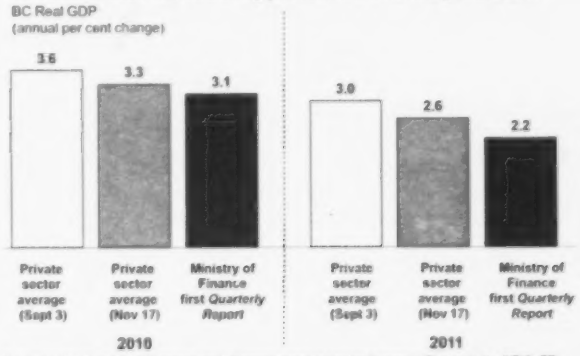
2010/11 changes from the first *Quarterly Report*

- The province's projected bottom line for 2010/11 has deteriorated by $315 million since the first *Quarterly Report*, reflecting a $253 million decrease in revenue and a $62 million increase in spending.
- The revenue projections reflect a reduced forecast for 2009 returns from personal income tax assessments and the combined impact of low commodity prices and weak demand on natural resource revenue.
- The above revenue losses are partially offset by additional tax revenue (mainly corporate income tax and HST), and revenue from other sources.
- The spending increase is mainly due to school district capital maintenance costs and higher spending funded by third parties, such as health care costs incurred by WorkSafe BC and federally funded costs for housing the migrants from Sri Lanka, partially offset by lower forest fire fighting costs.
- Taxpayer-supported capital spending is forecast to be $5.3 billion in 2010/11, $298 million lower than the first *Quarterly Report* forecast. The reduction primarily reflects project scheduling changes.
- At $33.8 billion, the taxpayer-supported debt forecast is $96 million higher than the projection in the first *Quarterly Report*, primarily due to an increase in direct operating debt.
- Despite prudence in the current projections, a number of risks to the fiscal plan remain, including changes to the main tax bases as they reflect economic activity in BC and its trading partners, further decline in economic activity, volatile commodity prices and potential demand on social services.

Economic growth slows

- Since the first *Quarterly Report*, the private sector has downgraded its outlook for the BC economy in 2010 and 2011 from 3.6 and 3.0 per cent growth, respectively to 3.3 and 2.6 per cent growth, respectively.

Private sector forecast approaches ministry outlook



Sources: BC Ministry of Finance and average private sector forecast (Scotiabank, CIBC, TD, RBC, Global Insight and BMO).

- Economic activity data from recent months indicate that BC's economic growth has slowed, following steady increases in late 2009 and early 2010.
- Risks to BC's economic outlook include a double-dip recession originating in the US, slower growth in global demand for BC products, the appreciating Canadian dollar and the still unresolved European sovereign debt crisis.
- The Minister of Finance will meet with members of the independent Economic Forecast Council in early December 2010 to obtain their views on the economic outlook. A revised economic forecast will then be developed for *Budget 2011*.

PART ONE — UPDATED FINANCIAL FORECAST

2010/11 Second *Quarterly Report* November 25, 2010

Introduction

Table 1.1 *Budget 2010* and *Quarterly Report* Forecasts

($ millions)	*Budget 2010*	First *Quarterly Report*	Second *Quarterly Report*
Revenue	39,190	39,965	39,712
Expense	(40,605)	(41,045)	(41,107)
Deficit before forecast allowance	**(1,415)**	**(1,080)**	**(1,395)**
Forecast allowance	(300)	(300)	(300)
Deficit	**(1,715)**	**(1,380)**	**(1,695)**
Capital spending:			
Taxpayer-supported capital spending	5,414	5,603	5,305
Provincial Debt:			
Taxpayer-supported debt	33,748	33,669	33,765
Taxpayer-supported debt-to-GDP ratio	17.2%	17.0%	16.8%

The province remains on track to meet its budgeted deficit target of $1.7 billion despite the impact of slowing economic growth on revenues.

The province's projected bottom line for 2010/11 has deteriorated by $315 million since the first *Quarterly Report*. Revenue projections have declined by $253 million primarily due to lower personal income tax projections, while spending increased slightly by $62 million.

The main changes to the fiscal plan are summarized in Table 1.2.

Taxpayer-supported capital spending is forecast to be $5.3 billion in 2010/11, $298 million lower than the first *Quarterly Report* forecast. The reduction primarily reflects project scheduling changes (see Table 1.4).

At $33.8 billion, the taxpayer-supported debt forecast is $96 million higher than the projection in the first *Quarterly Report*, primarily due to an increase in direct operating debt (see Table 1.5).

The taxpayer-supported debt to GDP ratio is projected to be 16.8 per cent at the end of the fiscal year. This is slightly lower than the 17.0 per cent projection in the first *Quarterly Report*, reflecting a higher nominal GDP base resulting from revisions to prior year nominal GDP amounts published by Statistics Canada on November 4, 2010.

Despite prudence in the current projections, a number of risks to the 2010/11 forecast remain, including further changes to the economic outlook, volatile commodity prices, and demand pressures in health, education and social services. In recognition of these risks, government has maintained the forecast allowance at $300 million.

Table 1.2 2010/11 Forecast Update

($ millions)	Q1 Update	Q2 Update	Total Changes
2010/11 deficit – *Budget 2010* Fiscal Plan (March 2, 2010)	(1,715)		(1,715)
2010/11 deficit – first *Quarterly Report* (September 14, 2010)		(1,380)	
Revenue changes:			
Personal income tax – weak 2009 tax assessments	(120)	(284)	(404)
Corporate income tax – strong 2009 and prior years' tax assessments	674	176	850
Harmonized sales tax – updated 2009 base	35	121	156
Property transfer tax – weak sales	-	(100)	(100)
Other tax sources – mainly tobacco, carbon and fuel	91	48	139
Forests – lower stumpage rates and border tax collections, partially offset by improved harvest volumes	(29)	(50)	(79)
Natural gas royalties – reduced price and volume outlook	(166)	(155)	(321)
Crown land tenures – mainly reflects one-year extension to deferral of cash receipts	(58)	(11)	(69)
Coal, metals and minerals – mainly reflects changes in coal prices	92	(22)	70
Other energy and natural resources – mainly lower electricity prices (Mid Columbia)	(43)	(28)	(71)
Fees, licenses, investment earnings and miscellaneous sources	170	57	227
Health and social transfers – mainly offset to tax changes	(38)	23	(15)
Disaster Financial Assistance, Labour Market Development and Strategic Training	152	(3)	149
Other federal government transfers – reflects SUCH sector projections of federal grants	69	(12)	57
Commercial Crown agencies operating results:			
Liquor Distribution Branch – consumer shift in purchasing patterns and reduced sales	(11)	(35)	(46)
BC Lotteries – impact of lower consumer discretionary spending	(35)	-	(35)
ICBC – mainly lower claims costs	36	19	55
Other commercial Crown agencies changes	(7)	3	(4)
Total revenue changes[1]	**812**	**(253)**	**559**
***Less*: expense increases (decreases):**			
Consolidated Revenue Fund changes:			
Firefighting costs	220	(42)	178
Transfer of BC Rail shares to BC Transportation Financing Authority	110	-	110
Management of public debt (net) – mainly lower interest rates	(2)	(7)	(9)
Spending funded by third party recoveries	192	35	227
(Increase) decrease in operating transfers to service delivery agencies	(128)	94	(34)
Changes in spending profile of service delivery agencies:			
School districts – reflects partial redirection of current annual facilities grant to maintenance	-	51	51
Post secondary institutions – mainly spending related to federal research grants	98	6	104
Health authorities and hospital societies – revised projections for staffing and operating costs	23	6	29
Other service delivery agencies	(36)	(81)	(117)
Total expense increases (decreases)[1]	**477**	**62**	**539**
Net change	**335**	**(315)**	**20**
2010/11 deficit – first *Quarterly Report*	(1,380)		
2010/11 deficit – second *Quarterly Report*		(1,695)	(1,695)

[1] Revenue and expense changes are shown net of the impact of a correction to the accounting treatment of third party recoveries related to the Evergreen Line in the amount of $37 million for 2010/11. In *Budget 2010* these recoveries were allocated to revenue and expense, whereas the appropriate accounting treatment is to capitalize these amounts.

Revenue

The 2010/11 revised revenue forecast incorporates year-to-date results for the first six months, updated personal and corporate income tax assessment information from the federal government for 2009 and prior years, and revised forecasts from ministries, the federal government, service delivery agencies and commercial Crown corporations.

Revenue is projected to be $39.7 billion; $253 million less than the first *Quarterly Report* forecast and $522 million higher than budget. The main changes from the first *Quarterly Report* forecast for 2010/11 are:

- Personal income tax revenue is down $284 million including a $144 million prior-year adjustment due to weaker 2009 tax assessment reports. The downward revision in 2009 tax assessment reports, results in a corresponding downward revision to the 2010/11 tax base, thereby reducing the 2010/11 forecast by $140 million.
- Corporate income tax revenue is up $176 million due to stronger tax assessment results for 2009 and prior years, partially offset by lower federal government instalments resulting from a lower federal government outlook for the 2010 and 2011 national tax base.
- Expected revenue from the harmonized sales tax has increased by $121 million due to an updated 2009 base. Social service tax revenue is $41 million higher than projected in the first *Quarterly Report* forecast, offset by a $45 million reduction in tax on designated property.
- Property transfer tax revenue decreased by $100 million reflecting weak housing sales this year.
- Forests revenue continues on a downward trend and is reduced by $50 million as the prevailing effects of weak lumber and US housing markets, the beetle infestation and a higher Canadian dollar result in lower stumpage rates and US softwood lumber exports.
- Natural gas royalties are forecast to be down $155 million reflecting a 15.2 per cent decline in the average natural gas price and 5.5 per cent decline in production volumes. Natural gas prices have been weak throughout the year due to relatively low demand and increased supply. As of November 12, 2010 US storage levels of natural gas were 9.3 per cent above the five-year average.
- Revenue from other natural resources is expected to be $61 million lower mainly due to the effects of lower coal and electricity prices and weaker auctions of Crown land tenure.
- Health and social transfers are up $23 million mainly reflecting an offset to the reduced personal income tax base. This increase is partially offset by a $15 million decline in other federal contributions.
- In total, commercial Crown corporation net income projections decreased by $13 million since the first *Quarterly Report* forecast, primarily due to a $35 million reduction in the Liquor Distribution Branch's expected results reflecting reduced sales and a consumer shift in purchasing patterns, partially offset by a $19 million increase in ICBC's expected results mainly due to lower claims costs.

Tables A2 and A5 provide additional details on the revenue forecast and assumptions.

Expense

The total expense forecast of $41.1 billion is up $62 million from the first *Quarterly Report.*

Consolidated revenue fund (CRF) spending is forecast to be $49 million less than the first *Quarterly Report* reflecting a $42 million downward adjustment due to lower than anticipated forest firefighting costs and a $7 million reduction in interest costs due to lower direct operating debt levels.

Spending funded by third parties is projected to be $35 million higher than the first *Quarterly Report* mainly due to higher health care costs paid for by WorkSafe BC and non-residents, and federally funded costs for housing the migrants from Sri Lanka.

The $94 million decrease in operating transfers to service delivery agencies mainly reflects the reprofiling of social housing funding to later years.

Changes to projected spending by the SUCH sector and service delivery agencies from the first *Quarterly Report* include the following:

- School district expense increased by $51 million to reflect the partial redirection of the current annual facilities grants to capital asset maintenance requirements and the anticipated use of prior year's surpluses to meet cost pressures not addressed by operational savings.
- Post-secondary institutions expenses are up $6 million due to increased salaries and wages offset by revised operating and other cost estimates, and a one-time asset write down.
- Health authority/hospital society projected spending of $11.2 billion for 2010/11 is up $6 million ($29 million higher than budget). The spending increase mainly reflects revised projections from the health organizations for staffing and operating costs.
- Service delivery agencies are down $81 million reflecting lower operating costs for BC Housing Management Commission and BC Transportation Financing Authority.

Tables A3, A4 and A6 provide more details on the expense forecast and assumptions. The expense details are presented on the basis of government's structure as it existed on September 30, 2010. The October 25, 2010 reorganization did not impact the overall expense forecast, and will be reflected in the third *Quarterly Report.*

Contingencies

Budget 2010 allocations of $20 million for the Sports and Arts Legacy, $20 million for the Climate Action and Clean Energy initiatives and $10 million for cost uncertainties associated with the 2010 Olympics continue to be managed through contingencies.

Table 1.3 Notional Allocations to Contingencies

($ millions)	2010/11
2010 Sports and Arts Legacy	20
Climate Action and Clean Energy initiatives	20
2010 Olympic and Paralympic Winter Games	10
Subtotal notional allocations	**50**
Reserved for unforeseen pressures	400
Total contingencies	**450**

Government continues to face a variety of unforeseen pressures which ministries and agencies will work to manage within existing budgets, with additional funding provided from the Contingencies vote as necessary.

For example:

- Teachers Pension Plan contribution adjustments based on recent actuarial valuations;
- funding to assist employers with the adoption of the Municipal Pension Plan based on government's commitment to protect direct services to clients;
- higher than anticipated utilization of government services;
- First Nations treaty negotiations coming to resolution;
- changes in assumed accounting policy;
- natural disasters and emergencies; and
- other contingent items.

Government employment (FTEs)

At 34,470, the government employment forecast has decreased by 30 full-time equivalents from the first *Quarterly Report* as fewer than anticipated forest firefighting staff were needed during the summer fire season.

Provincial capital spending

Total capital spending is forecast to be $8 billion in 2010/11, $276 million lower than the first *Quarterly Report* forecast (see Tables 1.4 and A8):

Table 1.4 2010/11 Capital Spending Update

($ millions)	Q1 Update	Q2 Update	Total Changes
2010/11 capital spending – *Budget 2010* Fiscal Plan (March 2, 2010)	**8,159**		**8,159**
2010/11 capital spending – first *Quarterly Report* (September 14, 2010)		**8,308**	
Taxpayer-supported changes:			
Education – mainly project scheduling changes, increased spending by school districts from their own sources of funds, and addition of full day kindergarten offset by a reduction of the annual facility grant amounts used for capital purposes	16	(24)	(8)
Post-secondary education – mainly project scheduling changes and increased spending on self-funded projects	65	46	111
Health – mainly project scheduling changes and revised costs for the Children's and Women's Hospital	(23)	(8)	(31)
BCTFA – mainly project scheduling changes	100	(132)	(32)
Social housing – mainly project scheduling changes	(23)	(90)	(113)
Other changes	54	(19)	35
Capital contingencies – reflects allocation to government ministries, full day kindergarten projects, and timing of requirements	-	(71)	(71)
Total taxpayer-supported	189	(298)	(109)
Self-supported changes:			
ICBC – mainly delays in Transformation Program to modernize critical business systems	(28)	(15)	(43)
Transportation Investment Corporation – Port Mann Bridge/Highway 1 construction ahead of schedule	-	27	27
Other	(12)	10	(2)
Total self-supported	(40)	22	(18)
Total changes	**149**	**(276)**	**(127)**
Capital spending – first *Quarterly Report*	**8,308**		
Capital spending – second *Quarterly Report*		**8,032**	**8,032**

- Taxpayer-supported capital spending is down $298 million, reflecting project scheduling changes for transportation, housing and health sector projects. The decline is partially offset by higher than expected spending by post-secondary institutions and school districts from their own sources of funds.
- Commercial Crown corporation capital spending is up $22 million, mainly due to the Port Mann Bridge/Highway 1 project proceeding more quickly than planned, partially offset by delays in ICBC's Transformation Program to modernize critical business systems and processes.

Significant capital projects (those with multi-year budgets totaling $50 million or more) are shown in Table A9.

Provincial debt

Total provincial debt is projected at $47.8 billion at March 31, 2011, $186 million higher than the amounts reported in the first *Quarterly Report* (see Tables 1.5 and A10):

Table 1.5 2010/11 Provincial Debt Update

($ millions)	Q1 Update	Q2 Update	Total Changes
2010/11 provincial debt – *Budget 2010* Fiscal Plan (March 2, 2010)	**47,757**		**47,757**
2010/11 provincial debt – first *Quarterly Report* (September 14, 2010)		**47,619**	
Taxpayer-supported debt changes:			
Government operating:			
2009/10 changes:			
– impact of using available cash to reduce accounts payable	838	-	838
– lower cash revenue and higher special purpose investment balances	339	-	339
Impact of higher debt balance at March 31, 2010	1,177	-	1,177
2010/11 fiscal plan updates:			
– Bonus bid proceeds	(302)	93	(209)
– Higher cash advances mainly from the federal government	(735)	73	(662)
– Other changes, mainly working capital	(11)	121	110
Total operating debt changes	129	287	416
Education facilities – mainly impact of capital spending changes and lower opening debt at March 31, 2010	(58)	2	(56)
Health facilities – mainly lower capital spending projections	(72)	(18)	(90)
Transportation – impact of increases to fuel tax revenue and federal contributions	(143)	(42)	(185)
Social housing – change in timing of not-for-profit projects	91	(68)	23
Other changes	(26)	(65)	(91)
Total taxpayer-supported	**(79)**	**96**	**17**
Self-supported debt changes:			
BC Hydro – mainly impact of cash flow requirements for capital projects	(48)	64	16
BC Lotteries – impact of lower debt balance at March 31, 2010	(66)	-	(66)
Transportation Investment Corporation – higher capital spending projections	(13)	26	13
Post-secondary institutions' subsidiaries – impact of higher debt balance at March 31, 2010	67	-	67
Other changes	1	-	1
Total self-supported	**(59)**	**90**	**31**
Total changes	**(138)**	**186**	**48**
Provincial debt – first *Quarterly Report*	**47,619**		
Provincial debt – second *Quarterly Report*		**47,805**	**47,805**

- Taxpayer-supported debt of $33.8 billion is $96 million higher than the amounts reported in the first *Quarterly Report*. The increase is mainly due to the reduction in tax and natural resources revenue, partially offset by lower than budgeted capital spending.
- Self-supported debt of $13.7 billion, mainly incurred to finance power generation and distribution projects throughout the province and the Port Mann bridge project, is up $90 million from the first *Quarterly Report* mainly reflecting increased capital cash flow requirements for BC Hydro and the Transportation Investment Corporation.
- Total provincial debt includes a $300 million borrowing allowance to mirror the operating statement forecast allowance.

The key taxpayer-supported debt-to-GDP ratio is projected to be 16.8 per cent by the end of 2010/11, an improvement of 0.2 percentage points from the first *Quarterly Report*.

Risks to the 2010/11 outlook

The major risks to the 2010/11 forecast stem from changes to the main tax bases (personal and corporate income, sales and property transfer) as they reflect economic activity in BC and its trading partners, commodity prices (especially natural gas, lumber and electricity) and exchange rate fluctuations.

Slowing economic growth in BC, the struggling US housing market, slower growth in overall global demand for BC products, the appreciating Canadian dollar and the still unresolved European sovereign debt crisis also pose risks to current fiscal projections.

The spending forecast contained in the fiscal plan is based on ministry and service delivery agency spending plans and strategies. Changes to planning assumptions, such as utilization or demand rates for government services in the health care, education, or community social services sectors, represent the main spending risks.

These risks, as well as further government spending initiatives and the potential impact of accounting policy changes, are covered by the $450 million Contingencies vote and the $300 million forecast allowance.

PART TWO — ECONOMIC REVIEW AND OUTLOOK[1]

2010/11 Second *Quarterly Report* November 25, 2010

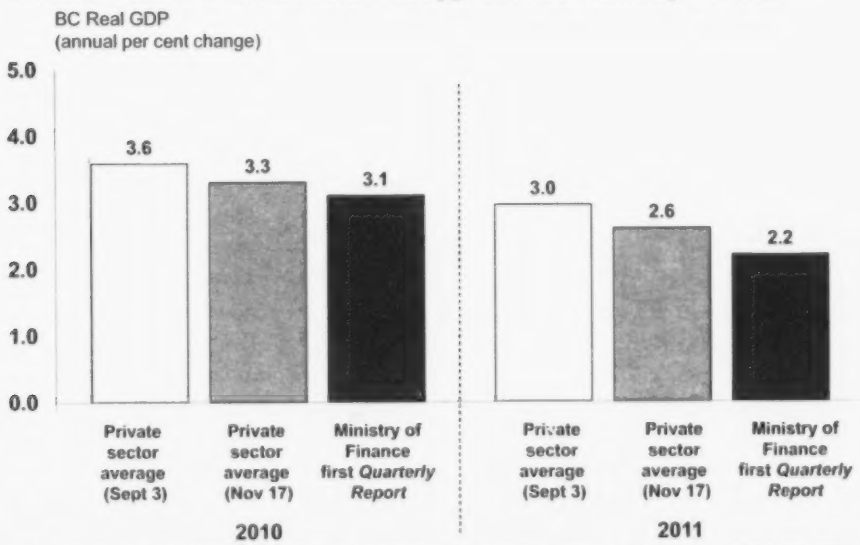
Summary

- Since the first *Quarterly Report*, the private sector has downgraded its outlook for the BC economy in 2010 and 2011. On average, six private sector forecasters[2] now expect BC's annual real GDP to grow by 3.3 per cent in 2010 and by 2.6 per cent in 2011. These recent forecasts are lower than the private sector average at the time of first *Quarterly Report*, which projected 3.6 per cent growth in 2010 and 3.0 per cent in 2011.
- Data from recent months indicate that BC's economic growth has slowed, following fairly steady increases in late 2009 and early 2010.
- Risks to BC's economic outlook include a double-dip recession originating in the US (due primarily to the struggling US housing market), slower growth in global demand for BC products, the appreciating Canadian dollar and the still unresolved European sovereign debt crisis.
- In preparation for *Budget 2011*, the Minister of Finance will meet with members of the independent Economic Forecast Council in early December 2010 to obtain their views on the economic outlook. A revised economic forecast will then be developed for *Budget 2011*.

Comparison to private sector forecasts

Private sector forecasters have downgraded their average outlook for BC in 2010 since the first *Quarterly Report* was released on September 14, 2010.

Chart 2.1 Private sector forecast approaches ministry outlook



Sources: BC Ministry of Finance and average private sector forecast (Scotiabank, CIBC, TD, RBC, Global Insight and BMO).

[1] Reflects information available as of November 17, 2010.

[2] The six private sector institutions in Chart 2.1 are selected because they produce regular provincial forecasts and are sitting members of the Economic Forecast Council.

At the time of the first *Quarterly Report*, the private sector expected BC's real GDP to increase by an average of 3.6 per cent in 2010 and 3.0 per cent in 2011.

Private sector forecasters are now expecting BC's economic growth in 2010 to be lower than previous projections. This is due to several factors, including the continued sluggish recovery of the US economy, an appreciating Canadian dollar and the slowing performance of some of BC's major economic indicators. As of November 17, 2010, the same six private sector forecasters projected a 3.3 per cent rise in BC's real GDP in 2010 and a 2.6 per cent increase in 2011.

Compared to other provinces, private sector economists expect BC to have the third largest expansion in real GDP in 2010, behind only Newfoundland and Ontario. Private sector projections place BC's real GDP fourth among provinces in 2011, behind Saskatchewan, Alberta and Newfoundland.

British Columbia economic developments

Indicators of economic performance so far in 2010 reveal that the rate of BC's economic recovery is slowing. Table 2.1 shows quarterly declines in some key sectors of the provincial economy during the July to September quarter of this year. However, the year-to-date performance among most indicators in Table 2.1 shows considerable improvement in economic activity compared to the same period in 2009.

Table 2.1 British Columbia Economic Indicators

All data seasonally adjusted	Apr. to Jun. 2010 change from Jan. to Mar. 2010	Jul. to Sep. 2010 change from Apr. to Jun. 2010	Year-to-Date Jan. to Sep. 2010 change from Jan. to Sep. 2009
		Per cent change	
Employment	+0.5	+0.9	+2.0
Manufacturing shipments	+1.6	+1.6	+9.3
Exports	+9.5	-3.8	+12.7
Retail sales[1]	-0.8	-0.7	+6.6
Housing starts	-2.2	-1.4	+90.7
Non-residential building permits	+28.5	+32.9	-13.1

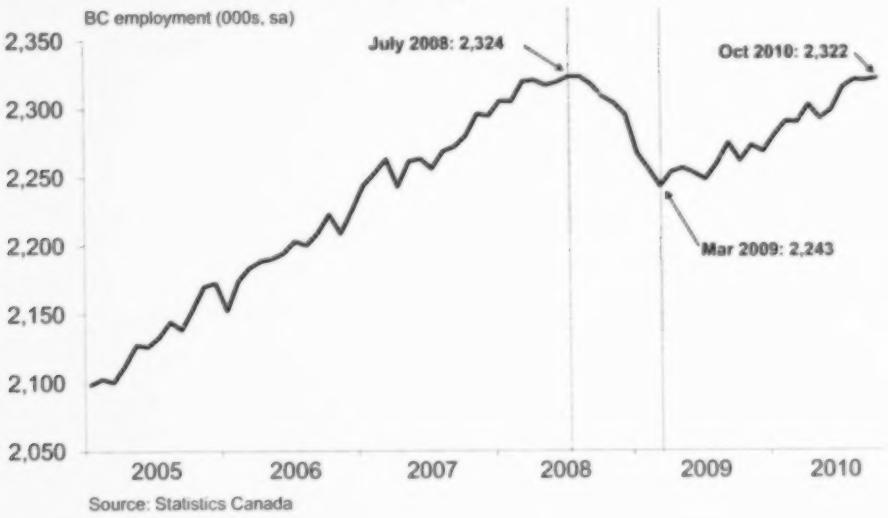
[1] Data to August

Labour market

Employment in BC improved by 2.0 per cent year-to-date to October 2010, compared to the first ten months of 2009. This translates to 46,000 more jobs than the same period last year, as full-time employment improved by 28,700 jobs and part-time employment rose by 17,300 jobs. However, after an average monthly increase of 6,700 jobs during the first seven months of this year, the pace of employment growth has slowed to an average of just 2,200 new jobs per month over the last three months.

Compared to the first ten months of 2009, the majority of job gains year-to-date to October 2010 came in the services sector. Significant employment gains were made in health care and social assistance (+11,000 jobs), professional, scientific and technical services (+8,200 jobs) and public administration (+7,900 jobs). Year-to-date to October, BC's unemployment rate averaged 7.6 per cent, which is 0.1 percentage points higher than the same period in 2009.

Chart 2.2 BC employment recovering



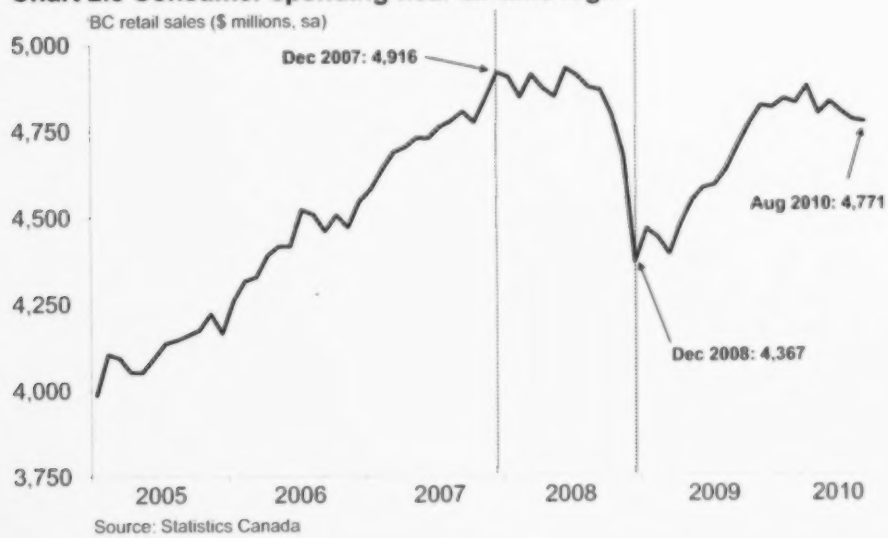
Source: Statistics Canada

The absolute number of jobs in BC has improved to near the pre-recession peak of July 2008, while the provincial unemployment rate remains much higher than it was at that peak. As of October 2010, BC's monthly unemployment rate was 7.4 per cent, much greater than the 4.6 per cent that occurred in July 2008. The provincial labour force has expanded fairly steadily over the last two years.

Consumer spending and housing

Retail sales improved by 6.6 per cent year-to-date to August 2010 compared to the same period a year ago. Major year-to-date gains in the retail sector have occurred at motor vehicle and parts dealerships, gas stations, health and personal care stores, and building material and garden equipment centres. Although retail activity has improved over 2009, the pace of retail sales growth has slowed considerably in recent months, with monthly declines in June, July and August of this year.

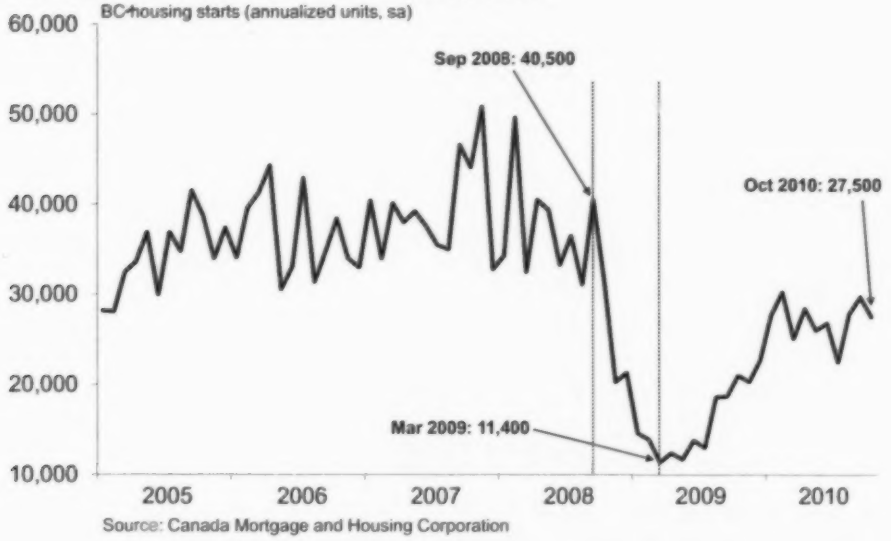
Chart 2.3 Consumer spending near all-time high



Source: Statistics Canada

Following the sharp annual decline that occurred in 2009, housing starts in BC have improved in 2010, averaging 27,200 annualized units – an increase of 82.2 per cent over the first ten months of last year. Quarterly declines have occurred, however, in the April to June and July to September quarters, with rising interest rates and uncertainty surrounding the introduction of the HST in BC placing downward pressure on housing activity. Residential building permits, a precursor of new housing activity, jumped by 84.8 per cent year-to-date to September.

Chart 2.4 BC housing starts growth pauses



Source: Canada Mortgage and Housing Corporation

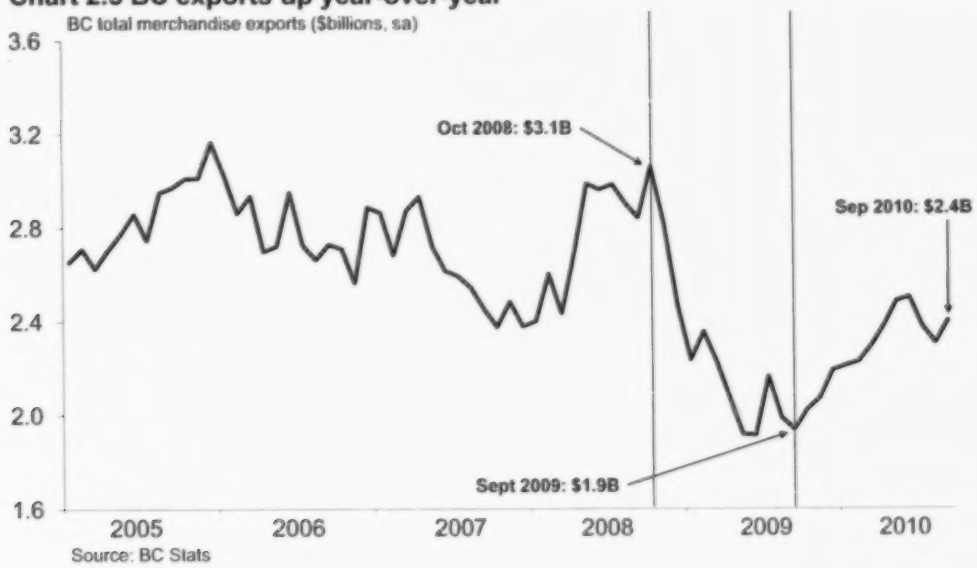
The value of total non-residential building permits has fallen 13.1 per cent during the first nine months of 2010 compared to the same period the previous year. Sizeable losses occurred in all categories, including institutional and government (-25.3 per cent), industrial (-5.5 per cent) and commercial (-5.1 per cent). However, total non-residential building permits improved in the July to September quarter, rising 32.9 per cent from the April to June quarter.

External trade

The value of BC's merchandise exports increased 12.7 per cent year-to-date to September 2010 compared to the same period in 2009. Driving this improvement over last year was an 18.3 per cent rise in forestry exports, brought on by stronger lumber prices and volumes in the early months of 2010. Significant increases were also observed in exports of energy products, and of industrial and consumer products. The value of exports stumbled in recent months, however, falling 3.8 per cent in the July to September quarter compared to the April to June quarter. The continued appreciation of the Canadian dollar, as well as slumping demand from the US are two major factors behind this decline.

BC manufacturing shipments have grown by 9.3 per cent year-to-date to September, compared to the first nine months of 2009. Major year-to-date increases occurred in shipments of wood (+21.3 per cent), primary metals (+17.9 per cent) and paper (+14.5 per cent). Unlike BC's exports, the value of provincial manufacturing shipments improved slightly in the July to September quarter (+1.6 per cent).

Chart 2.5 BC exports up year-over-year



Source: BC Stats

British Columbia economic outlook

In the first *Quarterly Report*, released September 14, 2010, the Ministry of Finance projected BC's real GDP to grow by 3.1 per cent in 2010 and 2.2 per cent in 2011. This forecast was more prudent than the average of six private sector forecasters at that time, in recognition of the downside risks facing BC's economy. At the time the ministry's forecast was produced, the private sector expected BC's economy to expand by an average of 3.6 per cent in 2010 and 3.0 per cent in 2011. Since then, the average private sector forecast has fallen to 3.3 per cent for 2010 and 2.6 per cent in 2011. These downgrades have absorbed some of the prudence included in the ministry's first *Quarterly Report* forecast.

The ministry's first *Quarterly Report* forecast was partly based on the assumption that the US economy would grow by 2.6 per cent in 2010 and by 2.0 per cent in 2011. This US forecast was lower than the August *Consensus Economics* survey that projected 2.9 per cent growth in 2010 and 2.8 per cent growth in 2011. Currently, the November *Consensus* forecasts US real GDP to improve by 2.7 per cent in 2010 and 2.4 per cent in 2011. In preparation for *Budget 2011*, evolving views on the US economy from numerous sources will be assessed to ensure that the ministry's economic forecast maintains its prudent assumptions.

In the first *Quarterly Report*, the ministry assumed that the Canadian economy would expand by 3.0 per cent in 2010 and 2.3 per cent in 2011. These forecasts were lower than the August *Consensus* survey average, which called for a 3.4 per cent expansion in 2010 and 2.7 per cent growth in 2011. Currently, the November *Consensus* survey expects Canada's real GDP to rise by 3.0 per cent in 2010 and 2.4 per cent in 2011. The impact of the struggling US economy, uncertainty surrounding the public debt in many European nations, as well as the appreciating Canadian dollar will be incorporated into the ministry's *Budget 2011* forecast.

The Minister of Finance will be meeting with members of the independent Economic Forecast Council in early December 2010 to obtain their views on the economic outlook for North America and British Columbia. An updated economic forecast, incorporating their advice, will be developed for *Budget 2011*.

Risks to the outlook

Risks to the BC economic outlook are weighted somewhat to the downside. The most significant risks to the current outlook include:

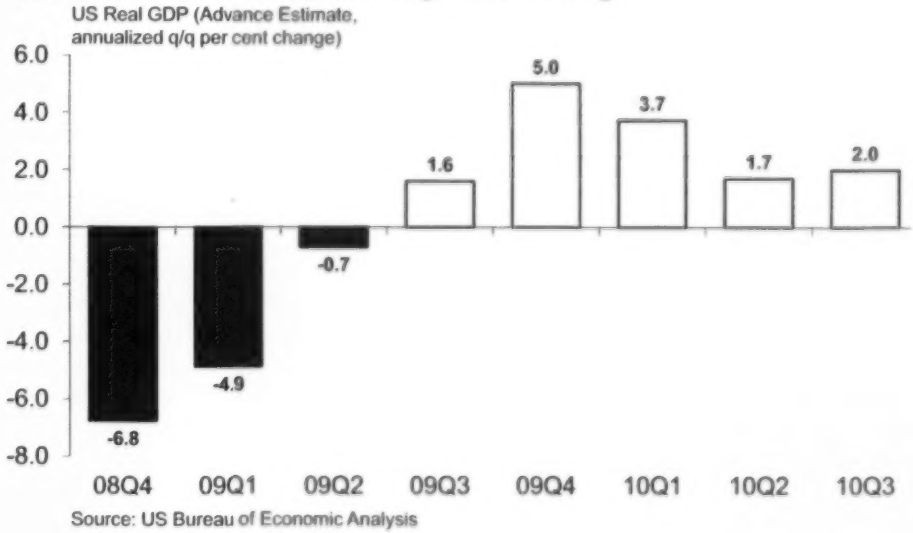
- a "double-dip" return to recession in the US (characterized by widespread deleveraging causing weaker investment, slower consumer spending and a delayed job market recovery);
- the sovereign debt crisis in some European countries threatening the stability of global financial markets;
- slower than anticipated global demand resulting in weaker demand for BC's exports;
- greater than anticipated moderation in the Canadian housing market; and
- sudden weakening of the US dollar resulting in significant disruptions to global financial and commodity markets.

External environment

United States

Following four consecutive quarter-over-quarter declines ending in mid-2009, US real GDP has seen five consecutive quarters of growth as of the July to September quarter of 2010. This return to growth was driven mainly by a strong boost from inventories as well as improvements in consumption and non-residential investment (that were buoyed by unprecedented amounts of fiscal and monetary stimulus) that offset declines in net exports. However, the pace of US real GDP growth has softened significantly in the two most recent quarters, expanding at annualized rates of just 1.7 per cent in the April to June quarter and 2.0 per cent in the July to September quarter. Of that 2.0 per cent

Chart 2.6 Pace of US economic growth slowing



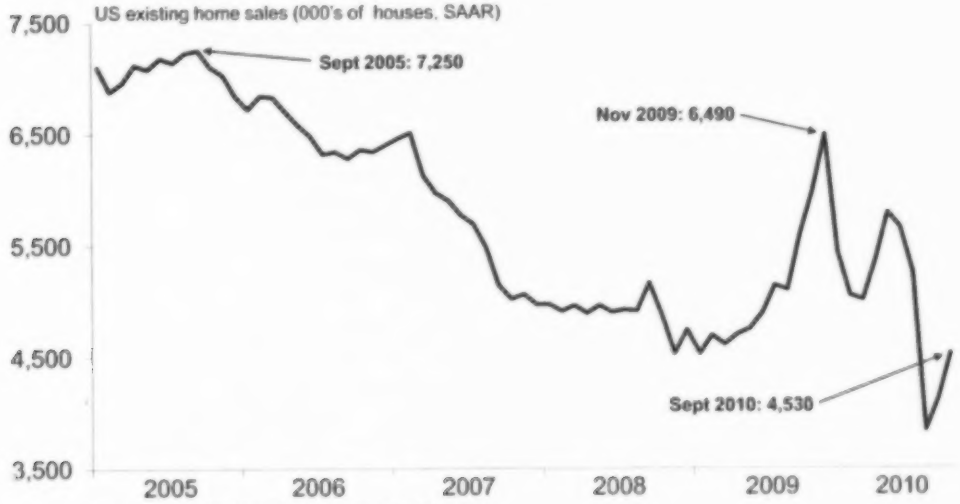
Source: US Bureau of Economic Analysis

observed in the most recent quarter, 1.4 per cent was comprised of a build-up in inventories. This means that real final sales (or the rest of the economy, made up of real GDP less inventories) grew at a sluggish 0.6 per cent for the quarter.

Private sector analysts anticipate a slow recovery for the US economy over the coming quarters, as the boost from government stimulus fades, employment growth remains anemic, and consumers and businesses remain tentative about the recovery. Although the US economy is indeed growing again, it is unusual to see the pace of expansion slow down heading into the second year of a recovery phase. On average, at this point in a recovery, real GDP growth is accelerating (not decelerating) and typically advancing at an annualized rate of about 5.0 per cent (not 2.0 per cent).

The US employment situation also remains very bleak, with 7.5 million jobs lost since the December 2007 peak (a decline of 5.4 per cent to October 2010). Through the first ten months of 2010, the US economy has churned out 87,400 jobs per month on average. Although new jobs are being created, the US Bureau of Labour Statistics reports that the labour market needs to create at least 100,000 jobs every month just to keep pace with growth in the labour force. As such, the unemployment rate sits at a relatively high 9.6 per cent as of October 2010, and has remained above 9.0 per cent since May 2009.

Chart 2.7 US existing home sales very slow



Source: U.S. National Association of Realtors

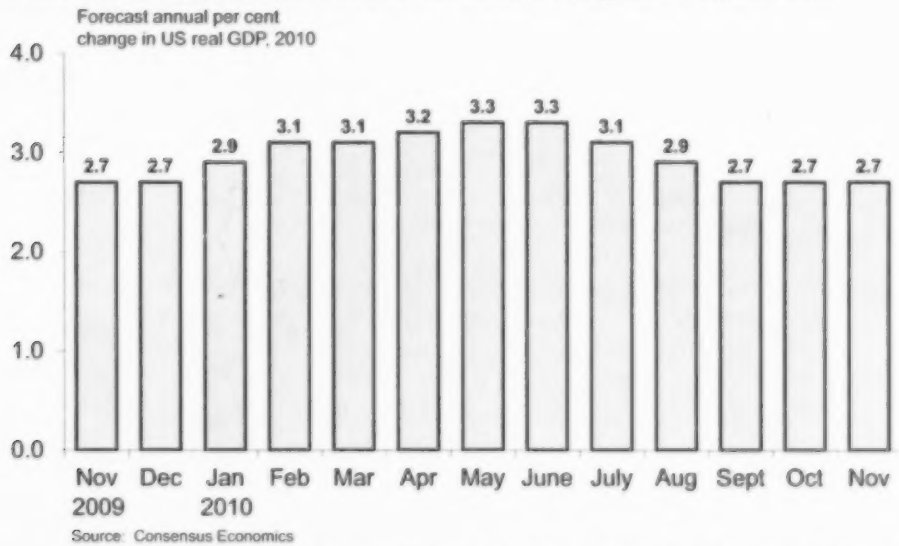
The troubled American housing market has also continued to be a major source of weakness for the US economy, as housing starts averaged just 592,800 units year-to-date to October 2010. Although this represents an 8.1 per cent increase over the same period in 2009, housing starts remain at very low levels. Existing home sales are also suffering in the US, as monthly sales registered 4.5 million annualized units in September 2010, a small increase from the record low of 3.8 million observed in July of this year. Weak job growth, negative home equity (where the amount owed on a mortgage is greater than the value of the home) and a lack of consumer confidence still plague the housing market, while access to mortgage credit is limited. Mortgage processing irregularities are adding additional uncertainty in the market, while at least temporarily reducing the pace of distress sales. Further, record-low mortgage rates and depressed house prices are not enough to compensate for these weights on housing demand.

Confidence among American consumers and businesses continues to wane as they remain tentative about the sustainability of this recovery. The University of Michigan consumer sentiment index registered a 69.3 in November 2010. Consumer confidence traditionally averages about 73.8 per cent during recessions, and about 90.9 per cent during recoveries. Business confidence is also struggling, with the National Federation of Independent Business small business optimism sentiment at 91.7 in October. Business optimism on this index generally averages about 91.9 during recessions, and about 100.2 during economic expansions.

At its most recent meeting in November, the Federal Open Market Committee announced that it will embark on a second round of "quantitative easing". Quantitative easing is an attempt by a central bank to inject more money into an economy in order to keep medium- to long-term interest rates low. The central bank does this by purchasing large amounts of assets (government and corporate bonds) held by private financial institutions. This decision was in the context of a US economy that is struggling to increase its output and create new jobs despite the massive injection of fiscal stimulus. The decision to engage in further quantitative easing is an aggressive step and highlights the tenuous nature of the recovery and the high risk of a double-dip recession.

Private sector forecasts for US economic growth in 2010 have been downgraded in recent months, after averaging greater than 3.0 per cent for most of this year. The November 2010 *Consensus* survey forecasts US real GDP to grow by 2.7 per cent in 2010, after reaching as high as 3.3 per cent in May and June. The recent downgrades in the US outlook are due to growing concerns over slowing real GDP growth, the dire employment situation and the struggling housing market. The November 2010 *Consensus* expects US economic growth to hold fairly steady in 2011, projecting an annual increase of 2.4 per cent in that year.

Chart 2.8 US Consensus outlook for 2010 downgraded since June



Source: Consensus Economics

The chart above represents forecasts for real GDP growth in 2010 as polled on specific dates. For example, forecasters surveyed on May 10, 2010 had an average 2010 US growth forecast of 3.3 per cent, while on November 8, 2010 they forecast 2010 US growth at 2.7 per cent.

Canada

After gaining momentum for three successive quarters (including a very strong 5.8 per cent increase in the January to March quarter), Canadian real GDP advanced by just 2.0 per cent (annualized) in the April to June quarter of 2010. This slowdown in the most recent quarter was caused by a cooler pace in consumer expenditures and a large decline in net exports. Private sector analysts note that high debt burdens and rising interest rates are prompting Canadian consumers to reduce their debt and boost their savings. These analysts also point out that the large decline in Canada's net exports is consistent with the slow pace of US economic growth (1.7 per cent) during the April to June quarter.

Canada's domestic economy has seen improvement in several major indicators so far this year, but like BC's domestic economy, the pace of recovery has slowed in recent months. Canadian retail sales have climbed by 5.4 per cent year-to-date to August 2010 compared to the same period last year. Further, housing starts have averaged 193,300 year-to-date to October 2010, an increase of 34.7 per cent compared to the same period in 2009. Home sales have held fairly steady from last year, gaining 0.3 per cent year-to-date to October 2010.

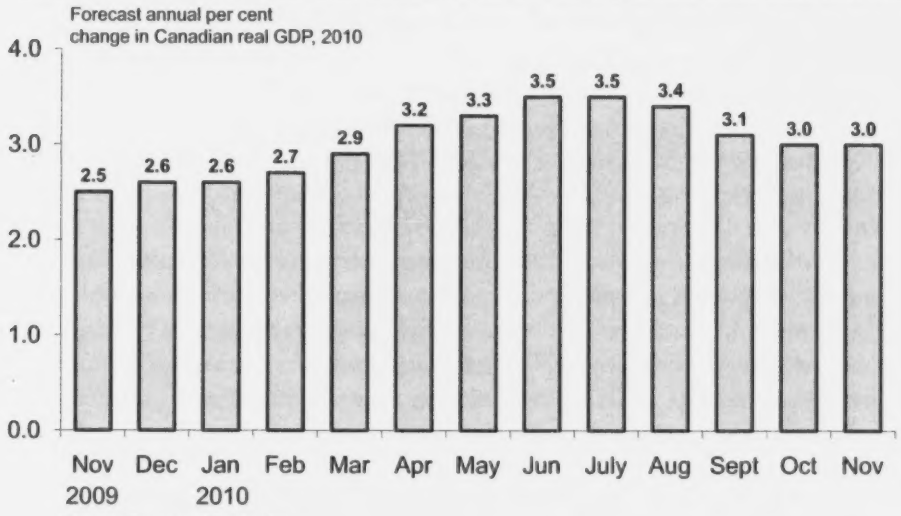
Although housing starts and home sales have increased over last year, both indicators have posted declines in the April to June and July to September quarters. Private sector analysts expect the Canadian housing market to cool even further in the latter half of 2010, as many homebuyers effectively pulled forward their purchases to the early part of this year in advance of rising mortgage rates and misconceptions over new sales taxes in BC and Ontario.

The Canadian labour market has shown modest gains over last year, following an annual loss of 271,600 jobs (or 1.6 per cent) in 2009 compared to 2008. Year-to-date to October 2010, employment in Canada has grown by 261,300 jobs (or 1.6 per cent) compared to the first ten months of 2009. Although employment has returned to its pre-recession level of October 2008, the unemployment rate remains around 8.0 per cent, well-above its pre-recession level of 6.2 per cent. Over this period, the working-age population grew by 2.9 per cent and the labour force rose by 1.9 per cent.

The value of Canadian merchandise exports fell by 26.5 per cent in 2009 compared to 2008, but has recovered somewhat during the first nine months of 2010. Year-to-date to September 2010, merchandise exports increased by 11.1 per cent relative to the same period in 2009, driven by strong gains in exports of autos, energy and industrial goods. Shipments of manufactured goods also recovered in 2010, as the total value of these shipments climbed by 9.7 per cent year-to-date to September. Despite recent positive trends in Canada's trade sector, the continued appreciation of the Canadian dollar, if sustained, will continue to provide downward pressure on US demand for Canadian exports.

As with their outlook for the US, private sector forecasters have lowered their projections for the Canadian economy in 2010 and 2011, with the November 2010 *Consensus* expecting Canada's real GDP to grow by 3.0 per cent this year and 2.4 per cent in 2011.

Chart 2.9 Canadian outlook for 2010 also downgraded over last few months



Source: Consensus Economics

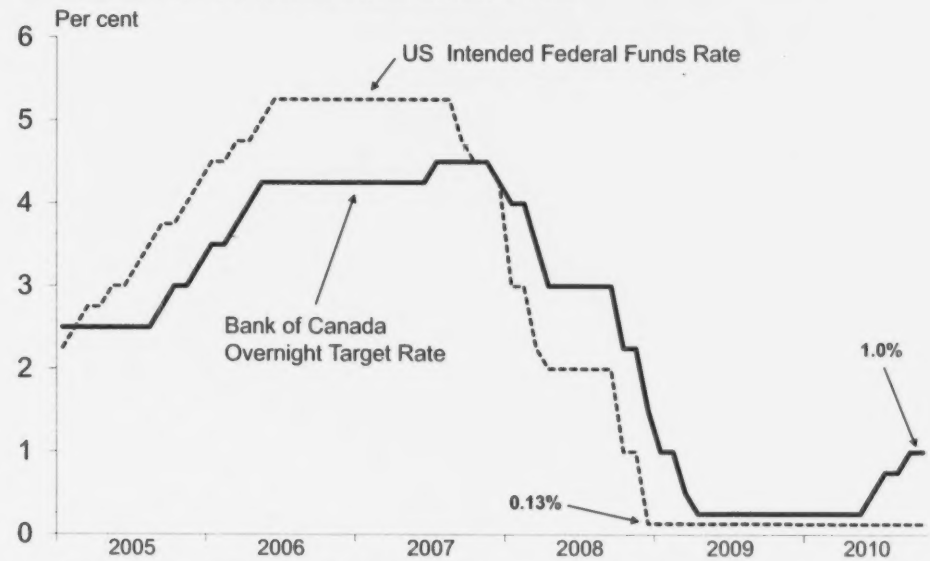
The chart above represents forecasts for real GDP growth in 2010 as polled on specific dates. For example, forecasters surveyed on May 10, 2010 had an average 2010 Canadian real GDP growth forecast of 3.3 per cent, while on November 8, 2010 they forecast 2010 Canadian real GDP to grow by 3.0 per cent.

Financial markets

Interest rates

After holding the overnight target rate at 0.25 per cent for over a year, the Bank of Canada raised the rate to 0.50 per cent in June 2010, to 0.75 per cent in July, and finally to 1.00 per cent in September. Although the Bank is withdrawing monetary stimulus,

Chart 2.10 Interest rates remain at low levels



Sources: Bank of Canada and US Federal Reserve

it stated at its most recent meeting on October 19, 2010 that it now expects the global as well as domestic recoveries to gain traction at a slower pace than earlier anticipated. As such, the Bank decided to pause its withdrawal of monetary policy support for the time being and left the benchmark rate unchanged. Many private sector analysts expect the Bank to hold its key interest rate at 1.00 per cent until spring of next year.

The US Federal Reserve has held its intended federal funds rate in the 0.00 to 0.25 per cent range since December 2008. Given little inflation pressure and the high US unemployment rate, private sector analysts view an increase in the federal funds rate as unlikely before early 2012.

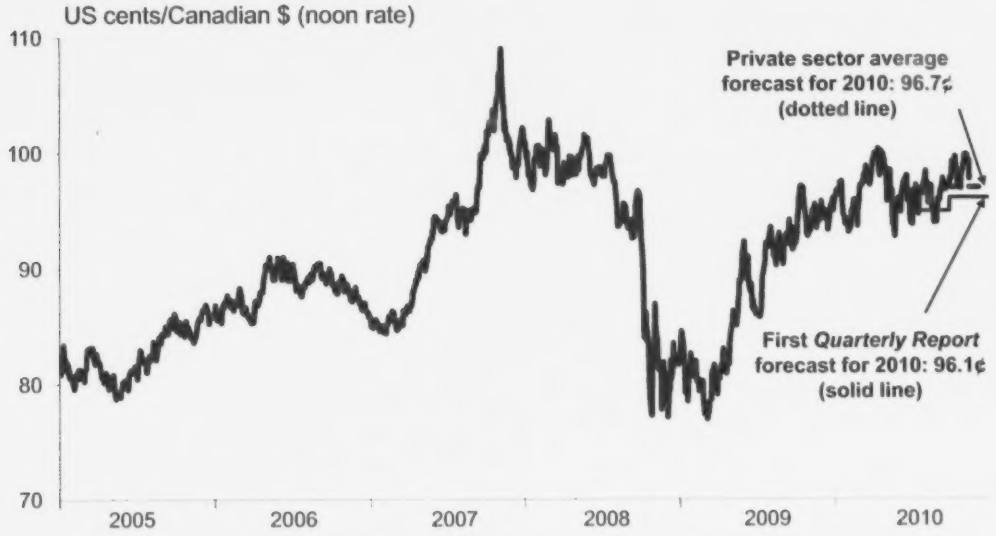
Exchange rate

After beginning 2010 at 96.4 US cents, the value of the loonie has remained fairly high through the year, and has remained very close to parity in recent weeks. Through the first ten months of 2010, the Canadian dollar averaged 96.8 US cents, and reached 98.0 US cents on November 17, 2010.

The rise in the dollar's value in recent months can primarily be attributed to the weakening US dollar, as the US government continues to inject liquidity into its economy in efforts to hasten the pace of recovery.

Private sector analysts note that while Canadian consumers are benefiting from increased purchasing power, manufacturers already suffering from weak export markets will face further difficulty selling goods priced in higher Canadian dollars, as the dollar is forecast to remain strong in 2011.

Chart 2.11 Canadian dollar near parity



Sources: Bank of Canada (acutals), Ministry of Finance (First *Quarterly* Report as of September 14, 2010), and the average of six private sector forecasters (Global Insight, CIBC, BMO, RBC, Scotiabank, and TD) as of October 25, 2010.

Table 2.2 Private Sector Exchange Rate Forecasts

Average annual exchange rate (US cents/Can $)	2010	2011
Global Insight	96.6	98.0
CIBC	96.5	93.9
Bank of Montreal	97.0	100.8
Scotiabank	96.4	98.2
TD Economics	96.8	99.5
RBC Capital Markets	96.6	98.5
Average (as of October 25, 2010)	**96.7**	**98.2**

Commodity markets

Global commodity markets have experienced substantial volatility since mid-2008, with values of most commodities plunging in the latter months of 2008 and remaining low well into 2009. Lumber prices recovered somewhat in 2010, with monthly Western spruce-pine-fir (SPF) 2x4 prices beginning the year at $230 US/000 board feet in January and moving above $300 US/000 board feet in April (as a supply shortage led to a temporary jump in prices early in the year). However, prices fell in subsequent months, reaching as low as $205 US/000 board feet in June. Year-to-date to September 2010, lumber prices averaged $250 US/000 board feet, representing an increase of 44.6 per cent over the first nine months of 2009.

Despite some small fluctuations, the price of natural gas has remained at a relatively low level for the first ten months of 2010. Plant Inlet prices averaged $2.98 C/GJ year-to-date to October, a slight increase from the $2.88 C/GJ observed during the same period in 2009.

Oil prices recovered strongly through 2010, following a period of very low prices observed in late 2008 and early 2009. The West Texas Intermediate daily oil price averaged $77.98 US/barrel during the first ten months of 2010, representing a hefty 31.9 per cent increase from the $59.11 US/barrel recorded during the same period in 2009. In recent weeks, the depreciation of the US dollar has pushed oil prices up even further. This price increase is expected by many analysts to continue as the US federal government moves forward with its second phase of quantitative easing, expected to further devalue the US greenback.

Metal and mineral prices have seen a robust recovery since the low levels observed in 2009. Year-to-date to October 2010, prices for most minerals were much higher than they were during the first ten months of 2009. Substantial price increases have occurred in copper (+50.9 per cent), molybdenum (+41.6 per cent), zinc (+39.9 per cent), aluminum (+35.0 per cent), silver (+32.5 per cent), lead (+31.3 per cent) and gold (+26.8 per cent). The price of magnesium, however, fell 4.6 per cent during this period.

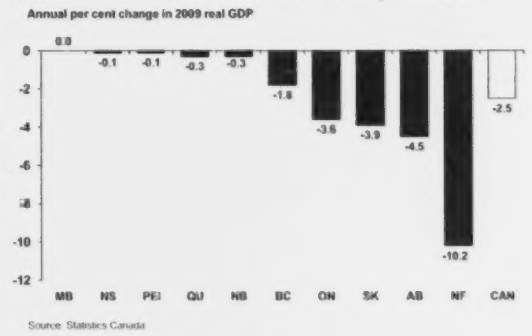
Provincial Economic Accounts Update

Provincial Economic Accounts

Statistics Canada released its estimates of provincial GDP for 2009 on November 4, 2010.

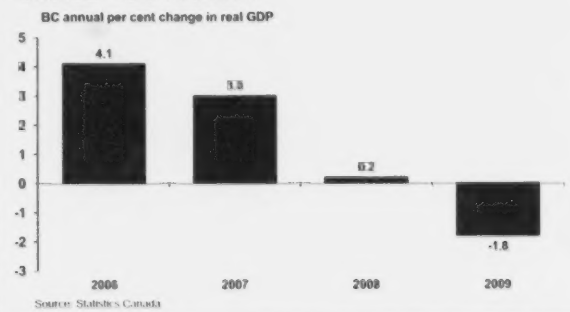
The annual change in British Columbia's real GDP for 2009 was a contraction of 1.8 per cent, down from the previous year's slight increase of 0.2 per cent. None of Canada's ten provinces saw real GDP growth in 2009, while Canada's real GDP fell by 2.5 per cent as a whole. BC had the fifth largest decline in real GDP among provinces last year, following Newfoundland (-10.2 per cent), Alberta (-4.5 per cent), Saskatchewan (-3.9 per cent) and Ontario (-3.6 per cent).

Chart 1 – Real GDP in Canadian provinces



BC's weak performance in 2009 was due to declines or weaker growth in all major components of real GDP, including consumer spending (up 0.3 per cent compared to 2.3 per cent in 2008), business investment (down 14.1 per cent compared to 3.1 per cent growth in 2008) as well as a 9.1 per cent decline in real exports (a larger decrease than the 3.8 per cent fall in 2008). At the same time, government spending grew by 2.7 per cent (down from 3.7 per cent growth in 2008) and real imports fell by 8.4 per cent (down from a 0.7 per cent increase in 2008).

Chart 2 – BC real GDP



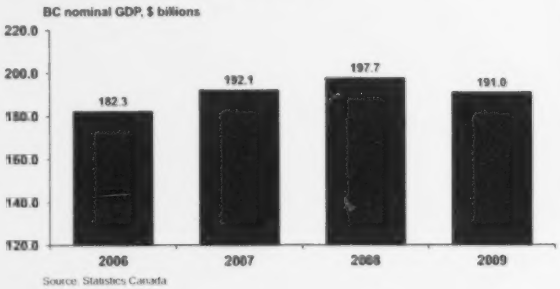
Real GDP

Chart 2 shows the annual changes in BC's real GDP from 2006 to 2009. The most recent year saw the largest decline in real GDP since 1982. The recent period of weakness began in 2008 (which saw very slow annual growth of 0.2 per cent), with the onset of the global financial crisis.

Nominal GDP

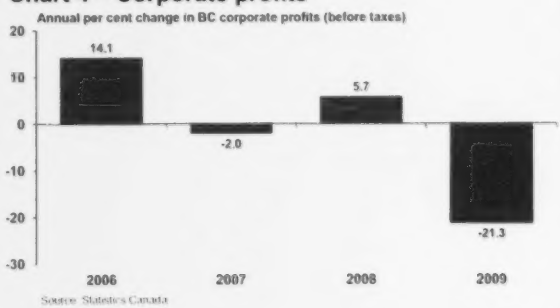
Changes in BC's nominal GDP in 2006, 2007, 2008 and 2009 are presented in Chart 3. Last year's economic slowdown resulted in a nominal GDP decline of $6.7 billion (or 3.4 per cent) from 2008.

Chart 3 – BC nominal GDP



This lower nominal GDP figure, combined with increases in government borrowing during the year, pushed the taxpayer-supported debt to GDP ratio for 2009 / 10 up to 15.7 per cent from 13.4 per cent in 2008 / 09.

Chart 4 – Corporate profits



BC's corporate profits (before taxes) also saw substantial declines from previous years in 2009. The drop of 21.3 per cent last year was the largest decline in corporate profits since 1990, when they fell 8.1 per cent from the previous year.

APPENDIX: FINANCIAL RESULTS

For the Six Months Ended September 30, 2010 and 2010/11 Full-Year Forecast

2010/11 Second *Quarterly Report* November 25, 2010

Table A1	Operating Statement
Table A2	Revenue by Source
Table A3	Expense by Ministry, Program and Agency
Table A4	Expense by Function
Table A5	Material Assumptions – Revenue
Table A6	Material Assumptions – Expense
Table A7	Full-Time Equivalents
Table A8	Capital Spending
Table A9	Capital Expenditure Projects Greater Than $50 Million
Table A10	Provincial Debt
Table A11	Statement of Financial Position

Table A1 2010/11 Operating Statement

	Year-to-Date to September 30				Full Year			
	2010/11			Actual	2010/11			Actual
($ millions)	Budget	Actual	Variance	2009/10	Budget	Forecast	Variance	2009/10
Revenue	19,537	19,477	(60)	18,151	39,190	39,712	522	37,488
Expense	(19,460)	(19,050)	410	(18,771)	(40,605)	(41,107)	(502)	(39,300)
Surplus (deficit) before forecast allowance	**77**	**427**	**350**	**(620)**	**(1,415)**	**(1,395)**	**20**	**(1,812)**
Forecast allowance	-	-	-	-	(300)	(300)	-	-
Surplus (deficit)	**77**	**427**	**350**	**(620)**	**(1,715)**	**(1,695)**	**20**	**(1,812)**
Accumulated surplus beginning of the year	4,211	4,827	616	6,639	4,211	4,827	616	6,639
Accumulated surplus before comprehensive income	4,288	5,254	966	6,019	2,496	3,132	636	4,827
Accumulated other comprehensive income from self-supported Crown agencies	(67)	288	355	433	(67)	412	479	412
Accumulated surplus end of period	**4,221**	**5,542**	**1,321**	**6,452**	**2,429**	**3,544**	**1,115**	**5,239**

Table A2 2010/11 Revenue by Source

($ millions)	Year-to-Date to September 30				Full Year			
	2010/11			Actual	2010/11			Actual
	Budget	Actual	Variance	2009/10	Budget	Forecast	Variance	2009/10
Taxation								
Personal income	2,928	2,823	(105)	2,861	5,861	5,457	(404)	5,529
Corporate income	582	639	57	628	847	1,697	850	1,317
Harmonized sales	1,228	1,237	9	-	3,784	3,940	156	-
Other sales [1]	1,275	1,294	19	2,403	1,399	1,395	(4)	4,765
Fuel	445	477	32	447	877	913	36	884
Carbon	313	321	8	232	727	754	27	542
Tobacco	366	426	60	360	686	747	61	682
Property	959	950	(9)	942	1,906	1,913	7	1,884
Property transfer	512	501	(11)	452	900	800	(100)	887
Other [2]	251	256	5	327	435	447	12	612
	8,859	**8,924**	**65**	**8,652**	**17,422**	**18,063**	**641**	**17,102**
Natural resources								
Natural gas royalties	313	168	(145)	130	698	377	(321)	406
Forests	216	163	(53)	126	491	412	(79)	387
Other natural resource [3]	988	955	(33)	891	2,019	1,949	(70)	1,853
	1,517	**1,286**	**(231)**	**1,147**	**3,208**	**2,738**	**(470)**	**2,646**
Other revenue								
Medical Services Plan premiums	871	883	12	814	1,741	1,754	13	1,666
Other fees [4]	1,188	1,168	(20)	1,121	2,615	2,727	112	2,453
Investment earnings	408	368	(40)	484	921	909	(12)	963
Miscellaneous [5]	1,234	1,335	101	1,281	2,597	2,674	77	2,721
	3,701	**3,754**	**53**	**3,700**	**7,874**	**8,064**	**190**	**7,803**
Contributions from the federal government								
Health and social transfers	2,582	2,575	(7)	2,439	5,165	5,150	(15)	4,883
Harmonized sales tax transition payments	769	769	-	-	769	769	-	250
Other federal contributions [6]	691	754	63	707	1,751	1,957	206	1,784
	4,042	**4,098**	**56**	**3,146**	**7,685**	**7,876**	**191**	**6,917**
Commercial Crown corporation net income								
BC Hydro [7]	208	212	4	188	617	608	(9)	447
Liquor Distribution Branch	489	461	(28)	458	974	928	(46)	877
BC Lotteries (net of payments to the federal government)	550	565	15	534	1,106	1,071	(35)	1,070
ICBC	167	161	(6)	305	303	358	55	601
Transportation Investment Corporation (Port Mann)	(10)	(3)	7	(2)	(19)	(14)	5	(4)
Other	14	19	5	23	20	20	-	29
	1,418	**1,415**	**(3)**	**1,506**	**3,001**	**2,971**	**(30)**	**3,020**
Total revenue	**19,537**	**19,477**	**(60)**	**18,151**	**39,190**	**39,712**	**522**	**37,488**

[1] Includes social service tax and continuation of the tax on designated property.

[2] Corporation capital, insurance premium and hotel room taxes.

[3] Columbia River Treaty, other energy and minerals, water rental and other resources.

[4] Post-secondary, healthcare-related, motor vehicle, and other fees.

[5] Includes asset dispositions, reimbursements for health care and other services provided to external agencies, and other recoveries.

[6] Includes contributions for health, education, community development, housing and social service programs, and transportation projects.

[7] In July 2010 BC Hydro was re-amalgamated with BC Transmission Corporation. Amounts for 2010/11 have been restated to reflect this change.

Table A3 2010/11 Expense by Ministry, Program and Agency

	Year-to-Date to September 30				Full Year			
	2010/11			Actual	2010/11			Actual
($ millions)	Budget	Actual	Variance	2009/10 [1]	Budget [1]	Forecast	Variance	2009/10 [1]
Office of the Premier	5	4	(1)	5	10	10	-	10
Aboriginal Relations and Reconciliation	20	26	6	18	40	40	-	66
Advanced Education and Labour Market Development	1,099	1,013	(86)	1,081	2,114	2,114	-	2,095
Agriculture and Lands	49	46	(3)	38	82	82	-	97
Attorney General	235	226	(9)	238	468	468	-	540
Children and Family Development	668	649	(19)	649	1,334	1,334	-	1,306
Citizens' Services	312	274	(38)	292	613	613	-	510
Community and Rural Development	144	127	(17)	109	309	309	-	178
Education	2,654	2,609	(45)	2,519	5,165	5,165	-	5,012
Energy, Mines and Petroleum Resources	30	20	(10)	23	54	54	-	42
Environment	82	74	(8)	82	167	167	-	163
Finance	25	126	101	34	71	181	110	102
Forests and Range	325	471	146	645	641	819	178	1,014
Health Services	7,377	7,229	(148)	6,828	14,760	14,760	-	13,867
Healthy Living and Sport	36	30	(6)	27	51	51	-	43
Housing and Social Development	1,356	1,343	(13)	1,313	2,730	2,730	-	2,672
Labour	8	7	(1)	8	16	16	-	16
Public Safety and Solicitor General	302	297	(5)	297	602	602	-	596
Small Business, Technology and Economic Development	28	22	(6)	17	62	62	-	44
Tourism, Culture and the Arts	48	76	28	24	115	115	-	104
Transportation and Infrastructure	373	373	-	363	753	753	-	732
Total ministries and Office of the Premier	**15,176**	**15,042**	**(134)**	**14,610**	**30,157**	**30,445**	**288**	**29,209**
Management of public funds and debt	641	624	(17)	542	1,301	1,292	(9)	1,141
Contingencies	187	-	(187)	-	450	450	-	360
Funding for capital expenditures	591	310	(281)	292	1,751	1,598	(153)	866
Legislative and other appropriations	62	55	(7)	82	123	123	-	148
Consolidated revenue fund expense	**16,657**	**16,031**	**(626)**	**15,526**	**33,782**	**33,908**	**126**	**31,724**
Expenses recovered from external entities	1,284	1,305	21	1,287	2,741	2,931	190	2,748
Funding provided to service delivery agencies	(10,230)	(9,886)	344	(9,558)	(20,704)	(20,585)	119	(19,240)
Total direct program spending	**7,711**	**7,450**	**(261)**	**7,255**	**15,819**	**16,254**	**435**	**15,232**
Service delivery agency expense								
School districts	2,381	2,362	(19)	2,354	5,440	5,491	51	5,379
Post-secondary institutions	2,257	2,288	31	2,210	4,727	4,831	104	4,628
Health authorities and hospital societies	5,497	5,508	11	5,421	11,141	11,170	29	10,761
Other service delivery agencies	1,614	1,442	(172)	1,531	3,478	3,361	(117)	3,300
	11,749	**11,600**	**(149)**	**11,516**	**24,786**	**24,853**	**67**	**24,068**
Total expense	**19,460**	**19,050**	**(410)**	**18,771**	**40,605**	**41,107**	**502**	**39,300**

[1] Restated to reflect government's organization and/or accounting policies as at September 30, 2010.

Table A4 2010/11 Expense By Function

	Year-to-Date to September 30				Full Year			
	2010/11			Actual	2010/11			Actual
($ millions)	Budget	Actual	Variance	2009/10 [1]	Budget	Forecast	Variance	2009/10 [1]
Health:								
Medical Services Plan	1,854	1,898	44	1,760	3,801	3,843	42	3,609
Pharmacare	541	550	9	520	1,095	1,099	4	1,053
Regional services	5,190	5,060	(130)	4,939	10,627	10,625	(2)	9,966
Other healthcare expenses [2]	436	443	7	387	951	987	36	831
	8,020	7,951	(69)	7,606	16,474	16,554	80	15,459
Education:								
Elementary and secondary	2,472	2,463	(9)	2,414	5,809	5,852	43	5,778
Post-secondary	2,333	2,314	(19)	2,334	4,556	4,754	198	4,740
Other education expenses [3]	247	230	(17)	165	455	505	50	528
	5,053	5,007	(46)	4,913	10,820	11,111	291	11,046
Social services:								
Social assistance [2,3]	1,082	1,093	11	1,047	1,511	1,439	(72)	1,462
Childcare services [2]	521	537	16	516	1,171	1,173	2	1,077
Community living and other services	12	1	(11)	11	772	837	65	729
	1,615	1,631	16	1,574	3,454	3,449	(5)	3,268
Protection of persons and property	587	649	63	645	1,426	1,435	9	1,380
Transportation	704	736	32	636	1,515	1,504	(11)	1,453
Natural resources and economic development	669	850	181	1,053	1,314	1,699	385	1,883
Other	688	562	(126)	538	1,395	1,433	38	1,418
Contingencies	187	-	(187)	-	450	450	-	-
General government	798	541	(257)	724	1,376	1,133	(243)	1,224
Debt servicing costs	1,140	1,123	(17)	1,082	2,381	2,339	(42)	2,169
Total expense	**19,460**	**19,050**	**(410)**	**18,771**	**40,605**	**41,107**	**502**	**39,300**

[1] Restated to reflect government's organization and accounting policies as at September 30, 2010.

[2] Payments for healthcare services by the Ministry of Housing and Social Development and the Ministry of Children and Family Development made on behalf of their clients are reported in the Health function.

[3] Payments for training costs by the Ministry of Housing and Social Development made on behalf of its clients are reported in the Education function.

Table A5 2010/11 Material Assumptions – Revenue

Revenue Source and Assumptions ($ millions unless otherwise specified)	Budget	1st Quarter Forecast	2nd Quarter Forecast	Sensitivities
Personal income tax	**$5,861**	**$5,741**	**$5,457**	
Current calendar year assumptions				
Personal income growth	2.7%	2.7%	2.7%	+/- 1% change in 2010 BC
Labour income growth	2.8%	3.0%	3.0%	personal income growth
Tax base growth	2.9%	2.4%	2.4%	equals +/- $50 to $100 million
Average tax yield	5.05%	4.86%	4.83%	
Current-year tax	$6,041	$5,952	$5,830	+/- 1% change in 2009 BC
BC Tax Reduction	-$129	-$137	-$137	personal or taxable income
Low income climate action tax credit	-$153	-$153	-$167	growth equals +/- $50 to $100
Sales tax/BC HST credit	-$146	-$146	-$151	million one-time effect
Other tax credits and refunds	-$100	-$100	-$100	(prior-year adjustment)
Policy neutral elasticity *	1.4	1.2	1.2	and could result in an
Fiscal year assumptions				additional base change in 2010/11
Prior-year adjustment		-$52	-$196	
Family Bonus offset	-$7	-$7	-$7	
2009 Tax-year		2009 Assumptions		
Personal income growth	-1.5%	-1.2%	-0.1%	
Tax base growth	-2.3%	0.5%	-0.8%	
Average 2009 tax yield	5.12%	4.93%	4.90%	
2009 tax	$5,955	$5,897	$5,778	
BC Tax Reduction	-$127	-$135	-$135	
Low income climate action tax credit	-$153	-$153	-$153	
Sales tax credit	-$53	-$53	-$56	
Other tax credits and refunds	-$106	-$106	-$97	
* Ratio of annual per cent change in current-year revenue to annual per cent change in personal income (calendar year).				
Corporate income tax	**$847**	**$1,521**	**$1,697**	
Components of revenue (fiscal year)				
Advance instalments	$1,157	$1,476	$1,383	
International Business Activity Act refunds	-$10	-$20	-$20	
Prior-year adjustment	-$300	$65	$334	
Current calendar year assumptions				
National tax base ($ billions)	$169.7	$201.8	$186.5	+/- 1% change in the 2010
BC instalment share of national tax base	11.8%	11.8%	11.8%	national tax base equals
Effective tax rates (general/small business)	10.5 / 2.5	10.5 / 2.5	10.5 / 2.5	+/- $15 to $25 million
BC tax base growth (post federal measures)	12.8%	19.8%	19.8%	
BC corporate profits growth	12.7%	19.6%	19.6%	+/- 1% change in the 2009
BC Tax credits				BC tax base equals +/- $20
Film, Television and Production Services	-$163	-$178	-$190	to $30 million in 2010/11
Scientific Research and Experimental Development	-$140	-$140	-$160	
Interactive Digital Media	$0	-$5	-$5	
Other	-$26	-$46	-$42	
2009 Tax-year		2009 Assumptions		
BC tax base growth	-26.2%	-3.6%	-3.7%	
BC corporate profits growth	-35.8%	-30.5%	-21.3%	
Gross 2009 tax	$1,348	$1,758	$1,827	
Prior-year adjustments	-$300	$65	$334	
Prior years losses/gains (included in above)	-$150	-$150	$80	
BC Tax credits				
Film, Television and Production Services	-$143	-$168	-$179	
Scientific Research and Experimental Development	-$130	-$140	-$150	
Other	-$21	-$31	-$40	

Revenue is recorded on a cash basis. Due to lags in the federal collection and instalment systems, changes to the BC corporate profits and tax base forecasts affect revenue in the succeeding year. The 2010/11 instalments from the federal government reflect 9 months of payments related to the 2010 tax year (Apr/10-Dec/10) and 3 months of payments related to the 2011 tax year (Jan/11-Mar/11). Instalments for the 2010 (2011) tax year are based on BC's share of the national tax base for the 2008 (2009) tax year and a forecast of the 2010 (2011) national tax base. BC's share of the 2008 national tax base was 11.8%, based on tax assessments as of December 31, 2009. Cash adjustments for any under/over payments from the federal government in respect of 2009 will be received/paid on March 31, 2011.

Table A5 2010/11 Material Assumptions – Revenue *(continued)*

Revenue Source and Assumptions ($ millions unless otherwise specified)	Budget	1st Quarter Forecast	2nd Quarter Forecast	Sensitivities
Harmonized sales tax	**$3,784**	**$3,819**	**$3,940**	
Calendar Year				+/- 1% change in consumer expenditure growth equals up to +/- $30 million
Nominal consumer expenditure	4.3%	4.4%	5.0%	
Nominal residential investment	17.9%	14.6%	14.6%	
Above two bases represent about 84% of the total base				
HST Rebates (% rebate of the provincial portion of the HST paid)				+/- 1% change in residential construction growth equals up to +/- $10 million
Municipalities	75%	75%	75%	
Charities and non-profit organizations	57%	57%	57%	
New housing (up to $26,250)	71.43%	71.43%	71.43%	
School authorities	87%	87%	87%	
Universities and public colleges	75%	75%	75%	
Hospital authorities	58%	58%	58%	
Components of revenue				+/- 1% change in the proportion of the consumer expenditure and residential construction bases equals up to -/+ $40 million
Gross	$4,914	$4,969	$5,098	
Input tax credit denial (temporary)	$118	$118	$118	
Rebates:				
- Point of sale	($248)	($268)	($270)	
- Municipalities, charities & non profit organizations	($220)	($219)	($222)	
- SUCH sector	($167)	($170)	($173)	
- New housing	($438)	($436)	($436)	
- Residential energy use	($175)	($175)	($175)	
Other sales taxes	**$1,399**	**$1,399**	**$1,395**	
Components of social service tax revenue				
Consolidated Revenue Fund (net of commissions)	$1,210	$1,210	$1,251	
BC Transportation Financing Authority	$3	$3	$3	
Recoveries	$61	$61	$61	
Tax on designated property	$125	$125	$80	
Fuel and carbon taxes	**$1,604**	**$1,620**	**$1,667**	
Calendar Year				
Real GDP	2.2%	3.1%	3.1%	
Gasoline volumes	-1.0%	0.0%	0.0%	
Diesel volumes	1.0%	2.0%	2.0%	
Natural gas volumes	2.0%	1.0%	1.0%	
Carbon tax rates (July 1)				
Carbon dioxide equivalent emissions ($/tonne)	$20	$20	$20	
Natural gas (cents/gigajoule)	99.32¢	99.32¢	99.32¢	
Gasoline (cents/litre)	4.45¢	4.45¢	4.45¢	
Light fuel oil (cents/litre)	5.11¢	5.11¢	5.11¢	
Carbon tax revenue	$727	$730	$754	
Carbon tax rates change on July 1				
Components of fuel tax revenue				
Consolidated Revenue Fund	$452	$459	$468	
BC Transit	$11	$11	$11	
BC Transportation Financing Authority	$414	$420	$434	
	$877	$890	$913	
Property taxes	**$1,906**	**$1,916**	**$1,913**	
Calendar Year				
BC Consumer Price Index	1.8%	1.7%	1.7%	+/- 1% change in new construction and inflation equals up to +/- $5 million in residential property taxation revenue
Housing starts	20,480	23,600	23,600	
Home owner grants (fiscal year)	-$723	-$724	-$724	
Components of revenue				
Residential (net of home owner grants)	$669	$679	$679	
Non-residential	$987	$988	$988	+/- 1% change in new construction and inflation equals up to +/- $5 million in non-residential property taxation revenue
Rural area	$83	$82	$82	
Police	$23	$23	$23	
BC Assessment Authority	$76	$76	$76	
BC Transit	$70	$70	$67	
Commissions	($2)	($2)	($2)	

Table A5 2010/11 Material Assumptions – Revenue *(continued)*

Revenue Source and Assumptions ($ millions unless otherwise specified)	Budget	1st Quarter Forecast	2nd Quarter Forecast	Sensitivities
Other taxes	**$2,021**	**$2,086**	**$1,994**	
Calendar Year				
Population	1.5%	1.6%	1.6%	
BC Consumer Price Index	1.8%	1.7%	1.7%	
BC housing starts	27.4%	46.8%	46.8%	
Real GDP	2.2%	3.1%	3.1%	
Nominal GDP	4.5%	5.0%	5.0%	
Components of revenue				
Property transfer	$900	$900	$800	
Tobacco (net of commissions)	$686	$747	$747	
Corporation capital	$0	$4	$4	
Insurance premium	$403	$403	$403	
Hotel room (net of commissions)	$32	$32	$40	
Energy, sales of Crown land tenures, metals, minerals and other	**$2,320**	**$2,138**	**$1,926**	
Natural gas price				+/- $1.00 change in the
Plant inlet, $Cdn/gigajoule	$4.29	$3.35	$2.84	natural gas price equals
Sumas, $US/ MMBtu	$5.71	$4.76	$4.25	+/- $255 to $305 million
Natural gas volumes (petajoules)				+/- 1% change in natural gas
Base gas production	517	517	489	volumes equals +/- $5 to $15
Incremental gas production	686	686	648	million
Total gas volume production	1,203	1,203	1,137	+/- 1 cent change in the exchange
Annual per cent change	7.9%	8.8%	4.5%	rate equals +/- $15 to $25 million on natural gas royalties
Oil price ($US/bbl at Cushing, Ok)	$80.02	$79.24	$78.32	
Auctioned land base (000 hectares)	582	628	375	
Average bid price/hectare ($)	$1,200	$1,500	$2,235	
Cash sales of Crown land tenures	$698	$942	$838	
Metallurgical coal price ($US/tonne, fob west coast)	$167	$222	$207	
Copper price ($US/lb)	$3.19	$2.91	$3.25	
Annual electricity volumes set by treaty (million mega-watt hours)	4.6	4.6	4.6	+/- 10% change in the average Mid-Columbia electricity price
Mid-Columbia electricity price ($US/mega-watt hour)	$53	$40	$34	equals +/- $25 to $30 million
Components of revenue				Based on a recommendation from
Natural gas royalties	$698	$532	$377	the Auditor General to be
Bonus bids, fees and rentals	$993	$935	$924	consistent with generally accepted
Petroleum royalties	$68	$78	$78	accounting principles, bonus bid
Columbia River Treaty electricity sales	$230	$170	$145	revenue recognition reflects
Coal	$226	$327	$288	nine-year deferral of cash
Minerals, metals and other	$71	$62	$79	receipts from the sale of Crown
Oil and Gas Commission fees and levies	$34	$34	$35	land tenures
Royalty programs and infrastructure credits				
Summer drilling	-$37	-$37	-$37	
Deep drilling	-$130	-$101	-$85	
Road and pipeline infrastructure	-$115	-$56	-$52	
Total	-$282	-$194	-$174	
Implicit average natural gas royalty rate	13.5%	13.2%	11.6%	

Royalty program (marginal, low productivity and ultra marginal drilling) adjustments reflect reduced royalty rates.
Natural gas royalties incorporate royalty programs and Treasury Board approved infrastructure credits.

Table A5 2010/11 Material Assumptions – Revenue *(continued)*

Revenue Source and Assumptions ($ millions unless otherwise specified)	Budget	1st Quarter Forecast	2nd Quarter Forecast	Sensitivities
Forests	**$491**	**$462**	**$412**	
Prices (calendar year average)				+/- US$50 change in SPF price equals +/- $35 to $70 million
SPF 2x4 ($US/1000 bd ft)	$225	$240	$247	
Random Lengths Composite ($US/thousand board feet)	$260	$278	$283	+/- US$100 change in hemlock price equals +/- $10 to $20 million
Hemlock price ($US/1000 bd ft)	$750	$765	$766	
Pulp ($US/tonne)	$763	$920	$930	+/- US$50 change in pulp price equals +/-$5 to $10 million
Coastal log ($Cdn/cubic metre) (Vancouver Log Market, fiscal year)	$66	$67	$70	+/- Cdn$10 change in average log price equals +/-$30 to $50 million
Fiscal Year Trade Assumptions				+/- 1 cent change in exchange rate equals +/- $8 to $10 million on stumpage revenue
Export tax rate (effective rate)	15.0%	12.9%	12.9%	
Lumber shipments and consumption (billion board feet)				
U.S. lumber consumption	35.1	33.0	33.0	
BC surge trigger volumes	7.4	7.0	7.0	
BC lumber exports to US	6.2	5.9	5.8	
Crown harvest volumes (million cubic metres)				+/- 10% change in Interior harvest volumes equals +/- $15 to $20 million
Interior	37.2	39.0	42.0	
Coast	7.8	11.0	11.0	+/- 10% change in Coastal harvest volumes equals +/- $6 to $12 million
Total	45.0	50.0	53.0	
BC Timber Sales (included in above)	10.9	10.9	11.8	
Components of revenue				The above sensitivities relate to stumpage revenue only. Depending on market conditions, changes in stumpage revenues may be offset by changes in border tax revenues.
Tenures	$148	$133	$86	
BC Timber Sales	$137	$137	$144	
Federal border tax (*SLA 2006*)	$181	$166	$147	
Logging tax	$4	$4	$10	
Other CRF revenue	$10	$10	$11	
Recoveries	$11	$12	$14	
Other natural resources	**$397**	**$404**	**$400**	
Components of revenue				
Water rental and licences*	$332	$339	$339	
Recoveries	$46	$46	$38	
Angling and hunting permits and licences	$12	$12	$12	
Recoveries	$7	$7	$11	
* Incorporates only BC Hydro rate increases approved by the BC Utilities Commission				
Other revenue	**$7,874**	**$8,007**	**$8,064**	
Components of revenue				
Fees and licences				
Consolidated Revenue Fund	$2,495	$2,512	$2,521	
Recoveries	$212	$223	$229	
Crown corporations and agencies	$98	$102	$103	
Other service delivery agencies	$1,551	$1,604	$1,628	
Investment earnings				
Consolidated Revenue Fund	$47	$65	$75	
Fiscal agency loans & sinking funds earnings	$726	$725	$705	
Crown corporations and agencies	$48	$48	$49	
Other service delivery agencies	$100	$101	$80	
Sales of goods and services	$701	$709	$727	
Miscellaneous				
Consolidated Revenue Fund	$194	$184	$184	
Recoveries	$501	$527	$553	
Crown corporations and agencies	$75	$84	$72	
Other service delivery agencies	$1,126	$1,123	$1,138	

Table A5 2010/11 Material Assumptions – Revenue *(continued)*

Revenue Source and Assumptions ($ millions unless otherwise specified)	Budget	1st Quarter Forecast	2nd Quarter Forecast	Sensitivities
Health and social transfers	**$5,165**	**$5,127**	**$5,150**	
National Cash Transfers				
Canada Health Transfer (CHT)	$25,426	$25,426	$25,426	
Wait Times Reduction Transfer (WTRT)	$250	$250	$250	+/- 0.1% change in BC's
Canada Social Transfer (CST)	$11,178	$11,178	$11,178	population share equals
BC share of national population (June 1)	13.26%	13.27%	13.28%	+/- $45 to $50 million
BC health and social transfers revenue				
CHT	$3,597	$3,574	$3,589	
WTRT	$33	$33	$33	
CST	$1,482	$1,483	$1,485	
Prior-year adjustments		-$14	-$8	
Health deferral				
Diagnostic and Medical Equipment	$16	$16	$16	
Medical Equipment Trust	$7	$7	$7	
Human Papillomavirus Immunization Trust	$13	$11	$11	
Patient Wait Times Guarantee Trust	$17	$17	$17	
Other federal contributions	**$2,520**	**$2,741**	**$2,726**	
Components of revenue				
HST Transitional Funding	$769	$769	$769	
Other Consolidated Revenue Fund	$176	$259	$259	
Labour Market Development Agreement	$296	$349	$346	
Local Government Services and Transfers	$172	$172	$173	
Canada-BC Co-operation on Immigration	$104	$104	$104	
Labour Market Agreement	$66	$66	$66	
Strategic Training and Transition Fund	—	$30	$30	
Police Officer's Recruitment Fund	$21	$21	$21	
Community Development Trust	$13	$22	$23	
Community Adjustment Fund Agreement	$15	$15	$15	
Other recoveries	$167	$181	$193	
Crown corporations and agencies	$308	$286	$261	
Other service delivery agencies	$413	$467	$466	
Service delivery agency direct revenue	**$5,028**	**$5,138**	**$5,150**	
School districts	$484	$484	$497	
Post-secondary institutions	$2,460	$2,567	$2,549	
Health authorities and hospital societies	$734	$734	$757	
BC Transportation Financing Authority	$471	$486	$489	
Other service delivery agencies	$879	$867	$858	
Commercial Crown corporation net income	**$3,001**	**$2,984**	**$2,971**	
BC Hydro	**$617**	**$604**	**$608**	
reservoir water inflows	100%	90%	83%	+/-1% in hydro generation = +/-$10 million
mean gas price (Sumas, $US/MMbtu – BC Hydro forecast based on NYMEX forward selling prices)	5.44	4.68	4.06	+/-10% = -/+$10 million
electricity prices (Mid-C, $US/MWh)	42.13	40.80	32.35	+/-$1/MWh in electricity trade margins = +/-$15 million
assumed rate increases:				
- base rate	6.11%	6.11%	6.11%	
- rate rider changes from prior year	3.00%	3.00%	3.00%	
Assumed base rate increases for 2010/11 through 2012/13 reflect the notional annual increases that would be required for BC Hydro to earn its allowed return on equity as mandated by the BCUC. These increases are included for planning purposes only. Actual rate increases in these years will be determined by future applications to, and approval from, the BCUC.				
ICBC	**$303**	**$339**	**$358**	
vehicle growth	+1.3%	+1.5%	+1.7%	+/-1% = +/-$37 to $39 million
current claims cost percentage change	+3.7%	+1.7%	+1.8%	+/-1% = -/+$27 to $31 million
investment return	4.4%	3.9%	4.3%	+/-1% return = +/-$111 to $113 million
loss ratio	85.1%	82.9%	83.2%	

Table A6 2010/11 Material Assumptions – Expense

Ministry Programs and Assumptions ($ millions unless otherwise specified)	Budget	1st Quarter Forecast	2nd Quarter Forecast	Sensitivities
Advanced Education and Labour Market Development	**2,114**	**2,114**	**2,114**	
Student spaces in public institutions (# of FTEs)	205,278	205,278	205,278	The number of student spaces may vary depending on the financial and other policies of post secondary institutions.
Attorney General	**468**	**468**	**468**	
New cases filed/processed (# for all courts)	295,000	295,000	295,000	The number of criminal cases proceeded on by the provincial and federal Crown (including appeals to higher courts in BC), the number of civil and family litigation cases, the number of violation tickets disputed, and the number of municipal bylaw tickets disputed which would go to court for resolution.
Crown Proceeding Act (CPA)	25	25	25	The number and size of litigation brought against the province, as well as the effectiveness of mitigation strategies and legal defence.
Children and Family Development	**1,334**	**1,334**	**1,334**	
Average children-in-care caseload (#)	8,500	8,500	8,500	Caseload is expected to decline over the next 2 years then flatten out. This is due to large number of 15 to 17 year olds currently in the system who will reach maturity. Number of aboriginal children in care may also decrease over time. A 1% increase in the cost per case or a 1% increase in the average caseload will affect expenditures by approximately $2.8 million
Average annual residential cost per child in care ($)	33,800	33,800	33,800	
Education	**5,165**	**5,165**	**5,165**	
Enrolment (# of FTEs)	561,734	561,734	561,734	Enrolment figures are based on BC Stats enrolment trends, to which the Ministry has added forecasts for distributed learning, adult education, and summer learning.
School age (K–12)	524,879	524,879	524,879	
Expanded full-day kindergarten	7,543	7,543	7,543	
Distributed Learning (online)	14,000	14,000	14,000	
Summer	7,093	7,093	7,093	
Adults	8,219	8,219	8,219	
Forests and Range	**641**	**861**	**819**	
Direct Fire Fighting	52	272	230	Over the past several years, fire fighting costs have ranged from a low of $19 million in 1997 to $382 million in 2009.
BC Timber Sales	159	159	164	Targets can be impacted by changes to actual inventory costs incurred. There is a lag of approximately 2 years between when inventory costs are incurred and when they are expensed. Volume harvested can also impact targets. For example, if volume harvested is less than projected in any year then capitalized expenses will also be reduced in that year.
Health Services	**14,760**	**14,760**	**14,760**	
Pharmacare	1,090	1,090	1,090	A 1% change in utilization or drug prices affects costs by approximately $10 million.
Medical Services Plan (MSP)	3,616	3,616	3,616	A 1% increase in volume of services provided by fee-for-service physicians affects costs by approximately $25 million.
Regional Health Sector funding	9,581	9,581	9,581	

Table A6 2010/11 Material Assumptions – Expense *(continued)*

Ministry Programs and Assumptions ($ millions unless otherwise specified)	Budget	1st Quarter Forecast	2nd Quarter Forecast	Sensitivities
Housing and Social Development	**2,730**	**2,730**	**2,730**	
Temporary Assistance annual average caseload (#)	57,406	57,406	57,406	The expected to work caseload is sensitive to fluctuations in economic and employment trends in the service sector. A 1% change in the Temporary Assistance annual average caseload or average cost per case will affect expenditures by approximately $4.5 million annually.
Disability Assistance annual average caseload (#)	76,190	76,190	76,190	The caseload for persons with disabilities is sensitive to the aging of the population and longer life expectancy for individuals with disabilities and significant health issues. A 1% change in the Disability Assistance annual average caseload or average cost per case will affect expenditures by approximately $7.5 million
Total annual average caseload (#)	133,596	133,596	133,596	The average cost per case is sensitive to the composition of the caseload, and reported income.
Adult Community Living:				
Residential Services:				
Average caseload (#)	5,501	5,501	5,501	The adult community living caseload is sensitive to the pressures of an aging population. A 1% increase in the adult caseload will increase expenditures by approximately $2.4 million.
Average cost per client ($)	68,400	68,400	68,400	
Day Programs:				
Average caseload (#)	13,201	13,201	13,201	
Average cost per client ($)	19,074	19,074	19,074	
Personal Supports Initiative				
Average caseload (#)	133	133	133	
Average cost per client ($)	44,383	44,383	44,383	
Public Safety and Solicitor General	**602**	**602**	**602**	The volume and severity of criminal activity, the number of inmate beds occupied and the number of offenders under community supervision.
Emergency Program Act (EPA)	15	15	15	The number and severity of natural disasters.
Management of Public Funds and Debt	**1,301**	**1,299**	**1,292**	
Interest rates for new provincial borrowing:				
Short-term	0.81%	0.93%	0.86%	Full year impact on MoPD on interest costs of a 1% change in interest rates equals $27.0 million; $100 million increase in debt level equals $1.0 million.
Long-term	4.55%	4.16%	3.70%	
CDN/US exchange rate (cents)	101.9	103.7	104.0	
Service delivery agency net spending	**4,082**	**4,149**	**4,268**	
School districts	293	266	317	
Post-secondary institutions	2,287	2,391	2,407	
Health authorities and hospital societies	590	595	620	
BC Transportation Financing Authority	802	817	802	
Other service delivery agencies	110	80	122	

Table A7 2010/11 Full-Time Equivalents (FTEs) [1]

FTEs	2010/11 Budget	2010/11 Forecast	2010/11 Variance	Actual 2009/10
Ministries and special offices (consolidated revenue fund)	30,096	30,266	170	31,353
Service delivery agencies [2]	4,204	4,204	-	4,508
Total FTEs	**34,300**	**34,470**	**170**	**35,861**

[1] Full-time equivalents (FTEs) are a measure of staff employment. FTEs are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual, full-time person would normally work in that period. This does not equate to the physical number of employees. For example, two half-time employees would equal one FTE, or alternatively, three FTEs may represent two full-time employees who have worked sufficient overtime hours to equal an additional FTE.

[2] Service delivery agency FTE amounts do not include SUCH sector staff employment.

Table A8 2010/11 Capital Spending

($ millions)	Year-to-Date to September 30 2010/11 Budget	2010/11 Actual	2010/11 Variance	Actual 2009/10	Full Year 2010/11 Budget	2010/11 Forecast	2010/11 Variance	Actual 2009/10
Taxpayer-supported								
Education								
Schools (K–12)	240	204	(36)	265	481	473	(8)	482
Post-secondary	374	335	(39)	254	743	854	111	672
Health	580	364	(216)	346	1,161	1,130	(31)	927
BC Transportation Financing Authority	729	719	(10)	545	1,483	1,451	(32)	918
BC Transit	44	17	(27)	42	89	71	(18)	150
Vancouver Convention Centre expansion project	4	4	-	26	8	15	7	41
BC Place rejuvenation	195	105	(90)	42	390	391	1	75
Government operating (ministries)	175	70	(105)	105	355	396	41	306
Other [1]	202	119	(83)	35	404	295	(109)	183
Capital spending contingencies	-	-	-	-	300	229	(71)	-
Total taxpayer-supported	**2,543**	**1,937**	**(606)**	**1,660**	**5,414**	**5,305**	**(109)**	**3,754**
Self-supported								
BC Hydro [2]	950	907	(43)	769	1,784	1,780	(4)	2,406
BC Transmission Corporation	-	-	-	6	-	-	-	12
Columbia River power projects [3]	6	8	2	8	12	14	2	16
Transportation Investment Corporation (Port Mann)	368	425	57	460	735	762	27	777
BC Rail [4]	-	-	-	5	-	-	-	14
ICBC	22	7	(15)	11	83	40	(43)	22
BC Lotteries	53	34	(19)	44	107	107	-	92
Liquor Distribution Branch	12	4	(8)	12	24	24	-	19
Total self-supported	**1,411**	**1,385**	**(26)**	**1,315**	**2,745**	**2,727**	**(18)**	**3,358**
Total capital spending	**3,954**	**3,322**	**(632)**	**2,975**	**8,159**	**8,032**	**(127)**	**7,112**

[1] Includes BC Housing Management Commission, Provincial Rental Housing Corporation, Rapid Transit Project 2000, BC Transit and other service delivery agencies.

[2] Amounts for 2010/11 include BC Transmission Corporation as it was re-amalgamated with BC Hydro in July 2010.

[3] Joint ventures of the Columbia Power Corporation and Columbia Basin Trust.

[4] Responsibility for the BC Railway Company was transferred to the BC Transportation Financing Authority effective April 1, 2010.

Table A9 Capital Expenditure Projects Greater Than $50 million [1]

Note: Information in bold type denotes changes from the first *Quarterly Report*.

($ millions)	Projected Completion Date	Total Costs to Sept. 30, 2010	Projected Costs to Complete	Total Capital Costs	Project Financing: Internal/ Debt	Federal Government	Other Contributions
Taxpayer-supported							
K–12 Schools							
Revelstoke Elementary and Secondary	Fall 2011	13	47	60	58	-	2
Chilliwack Secondary	Fall 2012	1	57	58	58	-	-
Burnaby Central Secondary	Spring 2012	24	40	64	64	-	-
Centennial Secondary	Fall 2014	-	62	62	62	-	-
Alberni District Secondary	Fall 2012	7	51	58	54	-	4
Full-day kindergarten	Fall 2012	1	143	144	144	-	-
Total K–12 schools		46	400	446	440	-	6
Post secondary facilities							
University of British Columbia – Pharmaceutical Sciences and Centre for Drug Research & Development	Fall 2012	9	124	133	86	3	44
Health facilities							
Surrey Outpatient Facility							
– Government direct cost	Spring 2011	18	47	65	65	-	-
– P3 contract	Spring 2011	149	23	172	172	-	-
Victoria Royal Jubilee Hospital – Patient Care Centre							
– Government direct cost	Spring 2013	113	37	150	23	-	127
– P3 contract	Spring 2011	177	22	199	199	-	-
Fort St. John Hospital and Residential Care							
– Government direct cost	Spring 2012	133	132	265	169	-	96
– P3 contract	Spring 2012	-	33	33	33	-	-
Expansions to Kelowna General and Vernon Jubilee Hospitals							
– Government direct cost	Fall 2012	181	94	275	26	-	249
– P3 contract	Fall 2012	153	5	158	158	-	-
Northern Cancer Centre initiative [2]							
– Government direct cost	Winter 2012	27	64	91	88	-	3
– P3 contract	Winter 2012	14	1	15	15	-	-
Surrey Emergency/Critical Care Tower [3]	Summer 2013	13	512	525	505	-	20
Interior Heart and Surgical Centre [4]	Spring 2017	7	386	393	302	-	91
Children's and Women's Hospital [5]	Fall 2017	-	682	682	532	-	150
Total health facilities		985	2,038	3,023	2,287	-	736
Transportation							
Pitt River Bridge	Fall 2009 [6]	204	3	207	110	90	7
Sea-to-Sky Highway							
– Government direct cost	Fall 2009 [7]	226	10	236	234	-	2
– P3 contract	Fall 2009	561	-	561	561	-	-
South Fraser Perimeter Road							
– Government direct cost	Summer 2014	532	530	1,062	697	365	-
– P3 contract	Summer 2014	26	176	202	202	-	-
Sierra Yoyo-Desan Road upgrade	Fall 2012	60	127	187	187	-	-
Total transportation		1,609	846	2,455	1,991	455	9
Other							
Vancouver Convention Centre expansion project	Summer 2009 [7]	830	11	841	499	222	120
BC Place rejuvenation [8]	Summer 2011	224	339	563	563	-	-
Integrated case management system	Fall 2014	57	125	182	182	-	-
Surrey Pretrial Service Centre expansion	Fall 2013	4	126	130	130	-	-
e-Health initiative [9]	Spring 2013	194	68	262	138	124	-
Total other		1,309	669	1,978	1,512	346	120
Total taxpayer-supported		**3,958**	**4,077**	**8,035**	**6,316**	**804**	**915**

Table A9 Capital Expenditure Projects Greater Than $50 million [1] (*continued*)

Note: Information in bold type denotes changes from the first *Quarterly Report*.

($ millions)	Projected Completion Date	Total Costs to June 30, 2010	Projected Costs to Complete	Total Capital Costs	Project Financing: Internal/ Debt	Project Financing: Federal Government	Project Financing: Other Contributions
Self-supported							
Transportation							
Port Mann Bridge / Highway 1	Winter 2013	1,418	1,901	3,319	3,319	-	-
Power generation and transmission							
BC Hydro							
– Mica Dam – generator stator replacement	Fall 2009 [7]	85	4	89	89	-	-
– Aberfeldie redevelopment	Spring 2009 [7]	94	1	95	95	-	-
– GM Shrum G1–G4 stator replacement	Fall 2010	77	5	82	82	-	-
– Peace Canyon G1–G4 turbine overhaul	Fall 2009 [7]	43	2	45	45	-	-
– Revelstoke Unit 5 generation [10]	Fall 2010	229	21	250	250	-	-
– Cheakamus spillway gate reliability upgrade	Fall 2011	47	26	73	73	-	-
– Mica Dam gas insulated switchgear replacement [10]	Summer 2013	67	133	200	200	-	-
– Fort Nelson generating station upgrade [10]	Fall 2011	47	118	165	165	-	-
– Ruskin Dam safety and powerhouse upgrade	TBD [11]	42	10	52	52	-	-
– Stave Falls spillway gate reliability upgrade [10]	**Winter 2013**	12	60	72	72	-	-
– GM Shrum units 1 to 5 turbine upgrade [10]	Fall 2016	11	303	314	314	-	-
– Hugh Keenleyside spillway gate reliability upgrade [10]	Fall 2013	12	90	102	102	-	-
– Mica units 5 and 6 project [10]	Fall 2015	28	772	800	800	-	-
– Vancouver Island transmission reinforcement	Winter 2008 [7]	308	(2)	306	306	-	-
– Interior to Lower Mainland transmission line	Fall 2014	44	555	599	599	-	-
– Central Vancouver Island transmission line	Fall 2010	51	40	91	91	-	-
– Vancouver City Central transmission	**Fall 2012**	15	186	201	201	-	-
– Columbia Valley transmission	Fall 2012	7	138	145	145	-	-
– Southern Interior series compensation	Fall 2014	1	60	61	61	-	-
– Dawson Creek area reinforcement	Fall 2013	1	131	132	132	-	-
– Seymour Arm series capacitor	**Spring 2013**	-	58	58	58	-	-
– Northwest transmission line	**Winter 2013**	4	400	404	184	130	90
– Smart metering and smart grid programs	Summer 2013	38	892	930	930	-	-
Columbia River power projects [12]							
– Waneta Dam power expansion	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Total power generation and transmission		1,263	4,003	5,266	5,046	130	90
Total self-supported		**2,681**	**5,904**	**8,585**	**8,365**	**130**	**90**
Total $50 million projects		**6,639**	**9,981**	**16,620**	**14,681**	**934**	**1,005**

[1] Only projects that receive provincial funding and have been approved by Treasury Board and/or Crown corporation boards are included in this table. Ministry service plans may include projects that still require final approval. Capital costs reflect current government accounting policy.

[2] Figures shown do not include an approved project reserve of $5 million.

[3] Figures shown are based on preliminary Treasury Board approvals and do not include approved project reserve of $32 million. These amounts will change after P3 contracts are finalized.

[4] Figures shown are based on preliminary Treasury Board approvals and do not include an approved project reserve of $55 million. These amounts will change after P3 contracts are finalized.

[5] Figures shown are based on preliminary Treasury Board approvals. These amounts will change after P3 contracts are finalized.

[6] The Pitt River bridge is open for traffic and decommissioning of the old bridge is forecast to be complete in Summer 2010.

[7] Assets have been put into service and only trailing costs remain.

[8] BC Place rejuvenation includes $458 million to install a retractable roof and $105 million to refurbish the facilities.

[9] The e-Health initiative is comprised of 7 distinct projects. Figures shown reflect the total costs of the 7 Ministry of Health Services' provincially co-ordinated e-Health projects.

[10] Total costs and completion dates for these projects vary depending on the final scope. Information presented represents the highest cost estimates and latest completion dates.

[11] Definition phase of the Ruskin Dam safety and powerhouse upgrade project was approved for $52 million. The total project cost and completion date are being developed.

[12] Joint ventures of the Columbia Power Corporation and Columbia Basin Trust. In August 2010, CPC/CBT reached an agreement in principle for a partnership with Fortis Inc. to develop an electricity generating facility at the Waneta Dam south of Trail. Capital spending information will be included in the next forecast update after the agreement has been finalized.

Table A10 2010/11 Provincial Debt [1]

($ millions)	Year-to-Date to September 30 2010/11 Budget	2010/11 Actual	Variance	Actual 2009/10	Full Year 2010/11 Budget	2010/11 Forecast	Variance	Actual 2009/10
Taxpayer-supported debt								
Provincial government operating [2]	4,181	2,988	(1,193)	2,228	4,815	5,231	416	4,663
Provincial government general capital [3]	2,696	2,696	-	2,696	2,696	2,696	-	2,696
Provincial government operating	**6,877**	**5,684**	**(1,193)**	**4,924**	**7,511**	**7,927**	**416**	**7,359**
Other taxpayer-supported debt (mainly capital)								
Education [2,4]								
Schools	6,014	5,602	(412)	5,948	6,194	6,148	(46)	5,777
Post-secondary institutions	3,975	3,824	(151)	3,790	4,111	4,101	(10)	3,843
	9,989	9,426	(563)	9,738	10,305	10,249	(56)	9,620
Health [2,4,5]	4,711	4,407	(304)	4,271	5,074	4,984	(90)	4,389
Highways and public transit								
BC Transportation Financing Authority [6]	5,706	5,311	(395)	4,749	6,136	5,962	(174)	5,211
Public transit [2]	997	997	-	1,057	997	997	-	997
SkyTrain extension	1,154	1,154	-	1,154	1,154	1,154	-	1,154
BC Transit	172	155	(17)	108	186	175	(11)	140
	8,029	7,617	(412)	7,068	8,473	8,288	(185)	7,502
Other								
Social housing [7]	439	420	(19)	280	530	553	23	305
Provincial government general capital [3]	561	363	(198)	-	774	719	(55)	294
BC Pavilion Corporation	232	188	(44)	30	409	378	(31)	49
BC Immigrant Investment Fund	291	327	36	284	297	333	36	289
Homeowner Protection Office	-	-	-	159	-	-	-	144
Other [8]	245	119	(126)	64	375	334	(41)	70
	1,768	1,417	(351)	817	2,385	2,317	(68)	1,151
Total other taxpayer-supported	**24,497**	**22,867**	**(1,630)**	**21,894**	**26,237**	**25,838**	**(399)**	**22,662**
Total taxpayer-supported debt	**31,374**	**28,551**	**(2,823)**	**26,818**	**33,748**	**33,765**	**17**	**30,021**
Self-supported debt								
Commercial Crown corporations								
BC Hydro	11,396	11,537	141	9,663	11,830	11,916	86	10,792
BC Transmission Corporation	72	-	(72)	80	70	-	(70)	70
Columbia River power projects [9]	188	190	2	202	181	182	1	196
BC Lotteries	116	57	(59)	85	128	62	(66)	60
Transportation Investment Corporation (Port Mann)	990	1,022	32	468	1,365	1,378	13	544
Liquor Distribution Branch	1	1	-	1	1	1	-	1
Post-secondary institutions' subsidiaries	134	201	67	134	134	201	67	201
	12,897	13,008	111	10,633	13,709	13,740	31	11,864
Warehouse borrowing program	-	1,555	1,555	2,064	-	-	-	-
Total self-supported debt	**12,897**	**14,563**	**1,666**	**12,697**	**13,709**	**13,740**	**31**	**11,864**
Forecast allowance	125	-	(125)	-	**300**	**300**	-	-
Total provincial debt	**44,396**	**43,114**	**(1,157)**	**39,515**	**47,757**	**47,805**	**48**	**41,885**

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

[2] In 2009/10, sinking funds for debt related to schools, post-secondary education, health care and public transit were liquidated and the proceeds ($763 million) used to offset direct operating borrowing requirements.

[3] Separate disclosures of borrowing for ministries' capital spending were applied prospectively beginning in fiscal 2009/10.

[4] Includes debt and guarantees incurred by the government on behalf of school districts, universities, colleges and health authorities/hospital societies (SUCH), and debt directly incurred by these entities.

[5] Health facilities' debt includes public-private partnership obligations of $584 million for the six months ended September 30, 2009, $848 million for the six months ended September 30, 2010, $734 million for fiscal 2009/10 and $949 million for fiscal 2010/11.

[6] BC Transportation Financing Authority debt includes public-private partnership obligations of $805 million for the six months ended September 30, 2009, $817 million for the six months ended September 30, 2010, $799 million for fiscal 2009/10 and $852 million for fiscal 2010/11.

[7] Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation.

[8] Includes service delivery agencies, student loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs and loan guarantee provisions.

[9] Joint ventures of the Columbia Power Corporation and Columbia Basin Trust.

Table A11 2010/11 Statement of Financial Position

($ millions)	Actual March 31, 2010	Year-to-Date September 30, 2010	Forecast March 31, 2011
Financial assets			
Cash and temporary investments	2,913	3,397	2,785
Other financial assets	8,731	7,837	8,765
Sinking funds	1,329	1,357	1,413
Investments in commercial Crown corporations:			
Retained earnings	*7,231*	*7,196*	*7,041*
Recoverable capital loans	*11,471*	*12,621*	*13,361*
	18,702	19,817	20,402
Warehouse borrowing program assets	-	1,555	-
	31,675	**33,963**	**33,365**
Liabilities			
Accounts payable and accrued liabilities	6,994	7,315	7,124
Deferred revenue	9,997	11,452	10,597
Debt:			
Taxpayer-supported debt	*30,021*	*28,551*	*33,765*
Self-supported debt	*11,864*	*14,563*	*13,740*
Forecast allowance	-	-	*300*
Total provincial debt	*41,885*	*43,114*	*47,805*
Add: debt offset by sinking funds	1,329	1,357	1,413
Less: guarantees and non-guaranteed debt	*(493)*	*(464)*	*(472)*
Financial statement debt	42,721	44,007	48,746
	59,712	**62,774**	**66,467**
Net liabilities	**(28,037)**	**(28,811)**	**(33,102)**
Capital and other non-financial assets			
Tangible capital assets	32,338	33,300	35,687
Other non-financial assets	938	1,053	959
	33,276	**34,353**	**36,646**
Accumulated surplus (deficit)	**5,239**	**5,542**	**3,544**

Changes in Financial Position

($ millions)	Year-to-Date September 30, 2010	Forecast March 31, 2011
(Surplus) deficit for the period	**(427)**	**1,695**
Comprehensive income (increase) decrease	124	-
(Increase) decrease in accumulated surplus	**(303)**	**1,695**
Capital and other non-financial asset changes:		
Increase in taxpayer-supported capital investments	*1,937*	*5,305*
Less: amortization and other accounting changes	*(975)*	*(1,956)*
Change in net capital assets	962	3,349
Increase (decrease) in other non-financial assets	115	21
	1,077	3,370
Increase (decrease) in net liabilities	**774**	**5,065**
Investment and working capital changes:		
Increase (reduction) in cash and temporary investments	484	(128)
Increase in total investment in commercial Crown corporations:		
Increase (decrease) in retained earnings	*(35)*	*(190)*
Self-supported capital investments	*1,385*	*2,727*
Less: loan repayments and other accounting changes	*(235)*	*(837)*
	1,115	1,700
Other working capital changes	(1,087)	(612)
	512	**960**
Increase (decrease) in financial statement debt	**1,286**	**6,025**
(Increase) decrease in sinking fund debt	**(28)**	**(84)**
Increase (decrease) in guarantees and non-guaranteed debt	**(29)**	**(21)**
Increase (decrease) in total provincial debt	**1,229**	**5,920**

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